**SCA Interim Report Q1 2017**
**Moderator: Magnus Groth**
**April 27, 2017**
**10:00 a.m. CET**

Josephine Edwall-Björklund: Hello. Welcome to SCA's press conference for the first quarter 2017. As you probably have noticed today, we have released several reports, due to the fact on the decision on the AGM in April this year to split the company into two separate listed company: one hygiene and health company, Essity; and one forest products company, SCA.

So today, we have, of course, our CEO, Magnus Groth, who, together with our CFO, Fredrik Rystedt, will go through the reports. And in addition, we have our Executive Vice President and President for Forest Products, Ulf Larsson, who will also present, followed by a Q&A session. So with this, I hand over to you, Magnus.

*SLIDE 2:*

Magnus Groth: Thank you, Josephine. And starting out with the last slide that we will show on the combined SCA, and we continue to see a positive development with net sales increasing with four percent. Organic growth was two percent and adjusted operating profit increase of five percent and a very strong cash flow for the group.

Most importantly, on the fifth of April, after the first quarter, the Annual General Meeting of the shareholders, and I'm now going to use this word, decided unanimously, so everyone agreed, to split the group into two separate companies: SCA, a well-invested and efficient forest products company; and Essity, a global leading health and hygiene company.

And we have progressed to work with the split and can now today announce that the split will actually happen during June, so quite soon. And as you already know, we have also changed the segment reporting as you will see throughout this presentation.

*SLIDE 4:*

Starting then with the future Essity, today's hygiene and health company, SCA. We saw organic sales during the quarter of one percent improvement in spite of challenging market conditions, slowing growth and increasing competition. Adjusted EBITA improving four percent, leading to an improved margin with 20 basis points. Operating cash flow was very strong and improving with 60 percent compared to the same quarter last year.

*SLIDE 5:*

During the quarter, we also announced a couple of significant initiatives. We have now discontinued entirely our business in India, so that's done, and we announced two investments to strengthen our supply chain and product offering with the high-quality premium products in Europe, with new baby lines; and in Mexico, with the premium tissue line to support our fast and profitable growth in Mexico, where we recently became the biggest brand in the consumer tissue market.

After the quarter, we completed the acquisition of BSN. And as you know, this is a big strategic shift for us in the Hygiene part of the business that now becomes the Hygiene and Health business. And less than one month into actually now being in control of the company, we are as excited and positive about the opportunities together with BSN as ever before. So that's progressing very, very well. And Fredrik will soon talk about our new financial targets for SCA Hygiene, Essity.

*SLIDE 6:*

Our adjusted return on capital employed continued to show a positive trend, up from 15.5 percent to 15.6 percent

*SLIDE 7:*

We had a high pace of innovations during the first quarter. And I'd like to focus specifically on the relaunch of our entire Libero baby assortment in

Russia. And as you know, we had a weak performance in the fourth quarter in baby Russia continuing now also into the first quarter this year.

And with this relaunch, we feel very confident that we will recover and move into a more positive development in this category going forward. And in the other categories, we are active with all our hygiene categories in Russia. We are doing quite well, but this is an important launch for us. And as you can see here, the two babies, the happy baby is using the new Libero product, so it seems to work really, really well. First indications.

*SLIDE 8:*

Something then about our three segments, starting with Personal Care. And as of yet, BSN is not included. BSN will be included from the second quarter. So this is still Personal Care as you know it. Net sales increased 3.8 percent and organic sales 1.1 percent, and we had a significant increase in our EBITA of 26 percent, resulting in an adjusted EBITA margin of 14.5 percent, which is probably the highest margin that we have recorded in Personal Care, so a very positive development there.

And the EBITA improvement comes from better price/mix, higher volumes and lower raw material costs, but very important contribution also from activities that we have been talking about now for about a year. One is the turnaround of our incontinence business in North America, which is progressing well; and the positive effects from exiting our Baby business in Mexico and our Hygiene business in India, which is now also showing clearly on the bottom line.

*SLIDE 9:*

Organic sales benefited both from price/mix and volume but with the significant negative impact of one percent from the closures in Mexico and India that I just mentioned. In the mature markets, we had slightly lower sales in the quarter.

And in Incontinence Products, we saw a mixed picture with very good growth in the retail area but the weaker development in health care and this is in line with our previous guidance that the negative tender balance that we have had in health care throughout last year continues into the beginning of this year but then reverses during the second half of this year.

A very positive development in North America. Last year, we saw a turnaround when it came to profits. And this year, for the first time in several years, we also see a positive growth in incontinence care in North America, both in retail and health care. So an important next step in that process.

In emerging markets, Latin America grew with three percent in spite of then discontinuing the Baby business in Mexico. And in Russia, we had another weak quarter in Personal Care. As you will soon see, it was much better in Consumer Tissue. And with the relaunches that we are undertaking as we speak, we believe that we will turn this going forward.

*SLIDE 10:*

Consumer Tissue then, with net sales increase of 2.3 percent and an organic sales increase of 0.6 percent.

EBITA increased with seven percent due to higher volumes and lower raw material cost than the first quarter last year. However, for the second quarter this year, we are seeing significantly higher raw material prices for fresh fiber that will then impact our business mostly in Europe.

We continued to work with cost savings and we had slightly lower prices due to increasing competition primarily in Europe. In the emerging markets, we are typically very fast in being able to recover raw material price increases or currency changes with the price increases.

Adjusted EBITA a margin then improved by 50 basis points to 11 percent.

*SLIDE 11:*

And looking at the sales mix, price/mix was negative 0.3 percent and volume positive 0.9 percent with Western Europe accounting for the negative price/mix and also lower sales but this is something that is very much in line with our strategy to focus on margins before volume.

So again, another quarter where we have had actually good growth in our branded business; and in some markets, better market shares, so all-time high market shares, while when it comes to private label and the semi-finished mother reel businesses, we have been quite strict and then in discontinuing businesses that don't provide the margin that we expect and need. So this is part of our strategy. In emerging markets, across the line, we see continued good growth in all areas.

*SLIDE 12:*

Professional Hygiene, Away-from-Home, net sales increased 8.6 percent with organic sales increasing 1.2 percent. However, in Away-from-Home, adjusted EBITA profit decreased by seven percent, and this is, to a large extent, explained by significantly higher raw material costs than expected.

Most of the raw material that we used in Away-from-Home or Professional Hygiene is recycled fiber as opposed to Consumer Tissue, where we are mostly depending on fresh fiber, and recycled fiber has had a huge increase over the quarter and for us somewhat unexpected; over 30 percent in North America, over 15 percent in Europe.

So a big negative impact there on our margins and our EBITA. And we were not able to compensate through better price/mix, higher volumes and cost savings. But of course, we're continuing to work very hard in all these areas to compensate for these higher raw material costs.

And looking forward into the second quarter, we expect to see still higher prices compared to the first quarter when it comes to recycled fiber and significantly higher prices for recycled fiber compared to the first quarter of last year. EBITA margin was down 190 basis points to 11.3 percent.

*SLIDE 13:*

Organic sales increased 2.1 percent with a mix of price/mix and volume. In the mature markets, we saw flat development, however, a positive development in Europe and negative development slightly in North America. And in emerging markets, a very strong development.

Of course, this is the segment where we have had the lowest part of our shares, as you can see there in the box, coming from emerging markets but starting now to really be a more important part of Away-from-Home business with 17 percent of sales. So that's what I was planning to say about our three segments in SCA Hygiene to be our future Essity very soon in June. And I'd like to welcome then Ulf on the stage.

*SLIDE 15:*

Ulf Larsson: Thank you, Magnus. Ulf Larsson, responsible for the Forest Products part of SCA. I'm happy to be here and give you some more details about our operations. We also had a strong growth in the first quarter, partly due to increased volume, mainly in kraftliner and partly due to increased price and mix in mainly our wood business.

Our adjusted EBITDA margin was down one percent or SEK 6m and one thing is that we had onetime effect on electricity certificates and that had a negative impact of SEK 40m during the quarter; revaluation. And the second thing is that we have some higher cost related to the Östrand project.

One thing is training, education, of the people that are going to run the new mill from next summer. Second thing is some write-offs due to old spare parts and also due to the fact that we will start up the new wood handling department in the middle of this summer. So we need to increase the speed of write-offs. And then we have the third thing, which is also that now when we are starting up the new wood handling department this summer, we have some extra costs when it comes to distribution of raw material. We need to distribute in a slightly different way.

Otherwise, the project is on plan, both in terms of time and cost. We have so far been investing SEK 3.1 billion, which is approximately 40 percent of the total investment that shall be done here. We can also say that we now have committed credit facilities in place of totaling SEK 9.5 billion.

*SLIDE 16:*

Many of these numbers are maybe already commented, but if we look back to EBITDA margin, we can add that I mentioned the revaluation of certificates, some extra costs connected to Östrand, but we also had some extra costs in terms of raw material and mainly in recycled fiber also for our case, we use some recycled fiber in Munksund and Obbola. On the other hand, we had strong positive contribution from price and mix and volume during the quarter.

When it comes to earnings per share, this refers to continuing operations, in this case, just the Forest part. And also as you can see the operating cash flow was quite negative during the quarter and that is related to increased volume and also increased prices. And on top of that, we also have VAT receivable due to the Östrand project but that is more a timing effect. That will come back in second and third quarter.

*SLIDE 17:*

If we then walk over to our four segments, starting with Forest. One can say that we have a balanced market in our region for the moment being, good availability of logs, both saw logs and pulp logs.

During the quarter, we have increased the sales and that is mainly due to higher volumes and price is quite flat for the moment being. Adjusted EBITDA margin has increased by 11 percent and we have harvested a little bit more on our own land this quarter in comparison with the first quarter 2016 but also we have had a good winter.

We have had good conditions, it has been mild, not too much snow and that has a positive impact also on the cost side. So the adjusted EBITDA margin is quite stable on slightly below 25 percent.

*SLIDE 18:*

Then we have the second segment, which is Wood. And as you can see on the left-hand side, price has increased quite substantially during this year. In one year, we have increased prices by close to 10 percent, 9 percent. And the market is still strong during the same period. Also, the production in Europe has increased by 10 percent, but still we feel that we have a good momentum in the market.

And further price increase is also announced for the second quarter, so market is strong. EBITDA also has increased substantially with close to 70 percent due to higher prices. We have seen some high raw material costs, not for the saw logs but reduced prices for byproducts like sawdust and chips and things like that, so that is one reason.

We have also seen some increasing distribution costs and that is due to lack of capacity overseas. So we have a problem to get access to containers for mainly Japan, China in this business. Prices went up. We can see that things are stabilizing a little bit but still we are also hit a little bit by increasing inventories not due to the market but due to lack of access to container capacity. Adjusted EBITDA margin close to 11 percent during the quarter.

*SLIDE 19:*

Pulp, I've already mentioned a couple of things that has impacted the result for the quarter, revaluation of certificates, extra costs related to the big project that we are just now running in Östrand. On the other hand, we have a strong market in Pulp and we have seen announcements now for 890 during June made by Södra.

On the other hand, we know that capacity will come on stream during the second part of this year. Äänekoski will come up in the third quarter, adding 700,000 tons of capacity. UPM will come up in quarter four and add another 170,000 tons of capacity. So yes, let's see what kind of impact that will have.

In terms of adjusted EBITDA, it was heavily down during the quarter. As already mentioned, we will start up the new wood handling department during this summer and that is the first part, the big part at least, of the new big investment in Östrand. During the quarter 2, we will also have maintenance stop, and we will stop for at least 10 days during week 19.

We stop week 19 and that will have a negative impact of about SEK 60 million during the second quarter. It's a planned maintenance shutdown. It's a little bit extended due to the fact that we're running the big project, and we have to prepare for the startup next summer.

*SLIDE 20:*

Last but not least, Paper. And if we look at sales, we can see it's quite flat. It is a little bit divided between our kraftliner business and our publication paper business. We have a really strong momentum in our kraftliner business. We have seen price announcements of plus EUR 50 per ton just recently, and we think that they will come through during step by step in the second quarter.

On the other hand, in publication papers, we have seen that prices have already gone down by a couple of percent, two percent for coated paper, LWC, which is in publication paper, 2/3 of our portfolio. One third is coated paper and today that is a little bit stronger market for that. But all in all, we know that the consumption in publication paper will, it is continued to decrease by, let's say, five percent as an average for all grades year-by-year. So that is something that we have to handle.

On the other hand, we can see that kraftliner business is really strong. We have additional capacity in Varkaus last year, first quarter, 370,000 tons and that is more or less taken up by the markets, so we have really strong balance in the kraftliner market going forward.

Well, and the adjusted EBITDA margin is slightly lower than we had in the first quarter last year. Also here, we will have during the second quarter two big maintenance stops, one in Ortviken has already started and one in Munksund, so all in all, about SEK 80 million with negative impact during the second quarter, and that is also planned maintenance stop.

I also like to mention, finally, that we will have an Investor Day at 31st of May in Sundsvall where we will give some maybe more detailed information and also give possibility for study visits in our industry, so most welcome to that one. By that, Fredrik.

*SLIDE 22:*

Fredrik Rystedt: Thank you. I will give a bit of extra flavor and I will do that for both the Essity or Hygiene business and also for Forest after that, so starting with net sales. As you can see, the sales grew by just over four percent, and roughly about three of those referred to, of course, the normal translation currency and the 21 days of Wausau we had last year.

You will remember that we bought Wausau the 21st of January. So this is actually the last time that you'll see Wausau in these slides like this. But on the other hand, next quarter, you will see BSN here instead. So if you look at the organic growth, we had a good contribution both from price and mix and volume from all of the business areas in Hygiene with the exception of price and mix for Consumer Tissue, and this is mainly the price pressure that we've had in Europe also previously that we have reported.

*SLIDE 23:*

Organic growth of EBITA, approximately four percent and this is better price and mix, higher volumes. And you can also see that this quarter we have showed the cost savings. Many of you have asked that question, what are the cost savings, so we have chosen from now on, we will show basically cost savings.

Worth noting, though, that this is cost savings in cost of goods sold. Of course, we on top of that have saving efforts in SG&A and other parts. So this is cost of goods sold.

If you look at the price and mix there, we had a very good contribution from Latin America price increases. We have talked about that before, but we also have a good, a really good mix development in Professional Hygiene, both in Europe and actually also in the United States and, as I previously mentioned, a negative impact from price in Consumer Tissue.

I think both Magnus and Ulf talked about the raw material impact so I'll speak a little bit about those trends on the next slide when we look at the raw material trends, but you can see that we have a slight negative impact of approximately SEK 40 million in the quarter.

If you look at the other line, this is, as usual, everything else that's not on the other bars of this slide. And in particularly so, you have A&P there, you have SG&A, general things or indirect cost. And roughly about slightly more than one third of this increase has to do simply with two facts, and it's basically

A&P and the fact that we have grown also the ratio of A&P slightly, so that's about a bit over one third and the rest is relating to other general and administration, so typically linked to growth and indirect costs.

We don't specifically mention this on this slide but, of course, the weaker pound is still impacting us. So Brexit, although it's been some time, is still impacting us. So totally in our results, approximately SEK 90 million is impacting the result. And out of that, SEK 54 million is relating to transactions, so impacting the margins. So it's actually still quite significant.

*SLIDE 24:*

Once again, raw material, Magnus mentioned this before, you can see on the left-hand side, this is sorted office paper in the United States and also Europe and these are the grades we typically use for our Away-from-Home or Professional Hygiene business. And you see the the lower line there, that's the same line for Europe.

So if you look at, this is indexed, so the increase here is 35 or even above. And if you weight it with all the grades we use, it's approximately about 30 percent or 35 percent. So it's a very, very significant increase and it's been going on for some time, of course, very rapidly now in the last six months. And of course, this is impacting us significantly.

If you look at the right-hand side here, this -- the lower line Eucalyptus or hardwood pulp, this is what we use predominantly in Consumer Tissue together with NBSK, so the blend there and approximately about 60 percent on the bottom line. So clearly, what you see here is a fairly sharp increase. But if you actually compare Q1 of this year to last year, you can clearly see that we have had lower prices.

So if you think about the negative impact of SEK 40 million approximately in the quarter, that means that we've had a very significant negative impact of roughly 120 in Professional Hygiene with a corresponding positive impact in Consumer Tissue and then also slightly positive impact in Personal Care, so the net's basically the SEK 40 million.

So very clearly from this slide, what Magnus talked about before, you can very easily see that Q2, we will have significantly higher raw material costs in comparison to last year for both Consumer Tissue and for Professional Hygiene. We will have also higher costs for Personal Care and that's also clear from this slide that fluff pulp is increasing, oil-based material is increasing. So partly, we're back to the scenario that we were in 2015.

*SLIDE 25:*

The cash flow increased a lot. As you can see here, 87 percent if you look at the total cash flows, so a really, really strong performance. And of course, one very noticeable change here is the change in working capital. So typically, Q1, Q2 are negative in terms of development of working capital.

We normally consume cash flow or working capital here and we've done that to a much lower extent here. So if you look at the working capital level of the group, we now have after Q1 basically 3.8 percent; last year, we had six percent. So this is actually a fantastic performance. It's also in a few ways abnormal. So you should not expect this to actually repeat itself. On the contrary in Q2, we will reverse.

And this is basically due to several reasons. We are very low on inventory in a few different places. So you will not see this in Q2, but of course, it's super good for cash flow in Q1.

You can see for capital expenditure, also low. Structurally, we normally consume less cash flow in terms of capital expenditure in Q1. We have previously given an estimate for SEK seven billion for the full year and that's still valid. So if you just take this times four, you will be too low. So we still expect SEK seven billion of capital expenditure including BSN.

*SLIDE 26:*

Again, you've seen this in the reports, and I won't spend too much time on it, and you can see and we've announced this is what we call the spinoff cost or Silva cost as we call it internally. And this quarter, it's SEK 460 million. We talked about this main item here, 450 out of those 460 is the cost related to the foreign tax outside of Sweden that's triggered as a consequence of the spin.

Now from a cash flow perspective, this will be most likely that 450 will be most likely triggered in Q3. But since, of course, it's much more likely than not that a spinoff will occur, we basically take the provision now in the first quarter. So that's the main 460 .

The other restructuring, Wausau is in accordance with our previous announcement. And then we have this other item of 265, very significant. And during last year, you may remember that we took a fairly big provision to the result on the back of anticipated losses in a few anti-trust cases.

And one these cases in Poland has now been settled with a much lower loss than we anticipated in that provision. So basically, the 265 you see here is simply a release of that provision to the extent, of course, not needed.

And then the final one is an impairment. So a noncash flow issue of acquired assets from many years ago. So it's just an adjustment of the balance sheet with no cash flow implication.

*SLIDE 27:*

We have defined new targets, and we have as previously, we have chosen to use organic sales growth and return on capital employed.

And the reason we had chosen to remain with these targets is that we believe it has served us well, both externally but also internally. It's very consistent with our internal management model. So we have chosen to remain with those two. We have, however, done a couple of changes or basically two main changes.

The first one is we have put targets only for the aggregated group. Previously, of course, we had it for the different business areas. Now we have it aggregated for the group. Second is that we have redefined return capital employed to adjusted, so basically EBITA excluding amortizations divided by the full capital employed. In reality, if you look at Q1 or historically, this had very, very little difference.

But as we go into the second quarter and when BSN comes in with very significant amortizations as we previously have reported on, EBITA divided by capital employed makes much more sense. Now the levels here is very simple. It's just basically an aggregate or a weighted average of the previous targets we had. And then we've also added BSN or our assessment of the return.

So in that sense, these levels don't represent a change of ambition. They're simply just taking the previous targets onwards into a new format. And of course, if you look at the return on capital employed for Q1, it is actually higher than 15 percent, so you may think this is not very ambitious. But don't forget if you have -- if you look at the numbers for BSN, you can clearly see that BSN has, in that sense, a lower return on capital and will impact that. So this remain as the previous targets.

*SLIDE 28:*

So a few words on Forest. You can see here that the growth, you have already talked about that, Ulf, growth of five percent, so good contributions actually from all areas. Higher volume, Pulp and Paper. Price/mix contribution was really, really as Ulf talked about, strong from the Wood part.

*SLIDE 29:*

The adjusted EBITDA, once again, you have discussed those issues but declined with one percent and the three main items despite this very, very good volume development, the EBITDA is actually down and it has to do with these three items: so higher raw material for recovered Paper; the electrical certificates that you've seen of approximately about SEK 40 million; and then the additional costs that we have related to Östrand. So that's basically part of the development.

*SLIDE 30:*

Forest cash flow, you talked about that. Then it's actually interesting, of course, when you look at this, when you look at capital expenditure there, SEK 640 million approximately in the quarter. About SEK 500 million of that relates to Östrand. So, of course, as Ulf said, 40 percent of Östrand investment has now been taken. The change in working capital is very significant but you have -- if you actually think about two things, last year, volumes were actually lower than the year before that and the prices were also much lower, and this year is just the reverse.

So that explains the absolute majority, and then you talked about the VAT. And as we pay the invoices for the Östrand investment, we will, of course, also pay VAT, which we reclaim occasionally. So we have the VAT balance as we go on. This particular quarter, we have approximately about SEK 100 million related to that in cash, negative cash flow. And of course, as time goes by, that will come back. So with those words, I will leave back to you, Magnus.

*SLIDE 32:*

Magnus Groth: So to sum up, positive development in both our SCA Hygiene business and our future Essity and in SCA Forest Products, the future SCA. And also a very, very exciting time ahead of us in both these companies. They are both financially strong, exciting prospects, very good underlying market conditions and, of course, important opportunities also now in the near term with BSN transforming Essity from a hygiene company to a health and hygiene company with fantastic opportunities going forward.

And with SCA, the Forest Company moving closer and closer to finalizing the huge investment in Östrand and all the positive results that that will bring to the Forest Products business. So with this bright outlook for both these companies that will then be born sometime in June, let's have some questions?

Josephine Edwall-Björklund: Okay, let's start

Mikael Jåfs: Mikael Jåfs from Kepler Cheuvreux. Two questions, one a little bit long term and the other one shorter term. The longer term is that you just showed us your new return on capital employed target, and then you've also talked about your Tissue Roadmap and your cure or kill program. So how should we, as analysts, think about this?

I mean, you are, as you pointed out, that 15.8 percent already with the target of 15 of course including BSN, it will go down. But how should we think about this long term? What could it bring to the table? And I know that you can't comment specific exactly, but that's the part one. And then the part two, we see the higher raw material costs. Normally, the industry is able to raise end product prices and a couple of words on that topic please?

Magnus Groth: Okay, I'll start with our return on capital employed and Fredrik, please fill in. Before we changed our goals, we were getting close to our previous goals on return on capital employed but we didn't actually achieve the goals yet. And I believe that before you have actually achieved the goals you have for some sustainable period, you shouldn't increase them. So that's why we have decided to actually set the goal for Essity based on the aggregate of the business including BSN. So that's the underlying logic. You want to add anything there, Fredrik?

Fredrik Rystedt: Not really because you know the previous targets, and you can see for tissue that we're not there. It's obvious, that if you combine Consumer Tissue and Professional Hygiene and you compare to the old target, we still have some time to go. And you talked about Tissue Roadmap, of course, that's, very instrumental especially for Consumer Tissue to achieve those targets. So we still have some -- a lot of work to actually get to where we want to be.

Magnus Groth: And then when it comes to the raw materials, all the big players in the U.S. have announced price increases in Away-from-Home Tissue, in Professional Hygiene. We believe that those increases will actually come through about the end of the second quarter, so no significant impact during the second quarter but for the second half of the year.

Mikael Jåfs: Just two follow-ups, can you mention the level of those increases?

Magnus Groth: 8 to 10 percent increases in North America price increases on Away-from-Home Tissue.

Mikael Jåfs: And would that then restore the margins when fully implemented?

Magnus Groth: It depends on the development of the underlying recycled fiber prices that have been softening a little bit here just in the last couple of weeks, but that's the size of increase that we believe that we can actually ask for at this point in time.

Fredrik Rystedt: Maybe just to add here, if you look at the history from 2015, you can very clearly see that there's a time lag. So of course, we strive to increase prices. The extent is always difficult but it takes time. And of course, we compensated in many other ways, cost savings all sorts of different things, so it's really difficult to say if it will restore or not.

Olof Grenmark: Olof Grenmark, ABG Sundal Collier. Coming back to this new target for the new Essity group, sales of three percent and ROCE 15. You mentioned that to a large extent it's based on history and that BSN had a negative impact on the ROCE target. Shouldn't it be a positive impact on the sales target from the BSN acquisition?

Fredrik Rystedt: Yes, I mean, once again, we have not really -- it's always difficult to assess the future and to -- we have not widely changed the organic sales targets and we don't give estimates on that. This is our assessment of what the combined entity can actually do. And if you can talk about the return target, you can very simply calculate approximate impact. You know the EBITA number, we have communicated that and you know the purchase price. So the actual impact is quite easy to calculate. So if you weight all those together, this is basically what you get. So it's very kind of weighted average.

Olof Grenmark: Fair enough. And then a question to Ulf Larsson please coming into this Forest division within your company. You mentioned the 25 percent adjusted EBITDA margin and the strong sales growth, 11 percent year-on-year. And you also mentioned weak winter having some kind of positive affect. That's not necessarily positive in my world for your kind of operations. To what extent does this quarter mirror a normal quarter for Forest?

Magnus Groth: I think it's quite normal but mild winter is just due to cost side. If you're around the harvesting operations, it's better to do it when it's not too cold. And also if you have a decent snow level, that is also positive for cost. And so I think it's quite normal. First quarter, normally, we harvest much forest from private forest owner. And second and third quarter, we harvest more on our own land, you have the kind of mix.

Olof Grenmark: So it's quite normal?

Ulf Larsson: For the first quarter, it's quite normal, yes.

Stellan Hellström: Stellan Hellström from Nordea. First, I'd like to ask about the price pressure in Consumer Tissue and if you can elaborate a bit on the market dynamics here in terms of earlier raw materials cost decreases and new capacity. And also here, maybe if you can comment on how this can be offset by pricing potentially and the time lag for that.

Magnus Groth: Yes, so there's no real change when it comes to new capacities coming into Europe. So that's then partly good news. Then of course, coming to compensating for raw material changes, as you know, raw material prices came down throughout last year for Consumer Tissue in Europe. And as a consequence of that, we saw increasing price pressure and this was also coming from a situation with quite good margins in Consumer Tissue.

And now of course, with the reversal of the fresh fiber prices, we will start talking about increasing prices again immediately, and we're really doing that to compensate for that. So as we always do, we need to compensate with price increases. That takes time, and in the shorter term, we're doing everything we can to compensate also through lower costs.

Stellan Hellström: And is there any difference that you see compared to the situation in 2015?

Magnus Groth: The price increases are not as substantial as in 2015. They're somewhere in between last year's prices and 2015.

Stellan Hellström: Very well, and then also just a question on the Personal Care side where you had -- it seems that you had quite significant cost savings from the business you exited. And if you can just say to what extent the savings you achieved in this quarter is representative for what you expect on a full year basis.

Magnus Groth: Fredrik?

Fredrik Rystedt: Yes, I mean, all the cure or kill efforts that we have done now in predominantly Personal Care has been the main reason for the improvements. And, of course, those hopefully will be sustainable. I mean, we have no other reason to believe differently.

Josephine Edwall-Björklund: Okay, are there any more questions from the room? Since not so, please, operator, you can open up the telephone lines.

Operator: Your first question from the phone lines is from Celine Pannuti from JPMorgan.

Celine Pannuti: My first question is on the bridge slide that you show where you showed the savings benefit. Can we have a bit of an idea of how much restructuring savings we should get in the remainder of the year? Should I take that and multiply by four or savings throughout the year?

And could you as well tell me if this number, the 214 includes I mean, included benefit from exiting Mexico and India? That's my first question. Then my second question, coming back on the overall sales target and the environment, I'm still a bit surprised by above three percent of the sales target because you said that you still have the previous target, which were five percent to seven percent for Personal Care and three percent to four percent for Tissue.

It seems that there is a dilutive impact of adding BSN. So where's the math wrong here? And also could you talk about the growth environment that you see in the three different divisions?

Magnus Groth: Okay. So I start with sales target and then let Fredrik talk about the savings. We were not having three percent as our target but above three percent as a starting point. So we hope to do better than three percent. And we used to have a range. And of course, if you look at the lower end of the range of three percent for Tissue and five percent for Personal Care, BSN has had a very good growth over the last number of years which has been a mix of organic growth and acquisitions.

And I feel that we need to learn more about that company during the next number of quarters before we have a feeling for what the underlying growth rate is. And taking all this together, we have ended up with this target, which is then to be above three percent in growth.

Celine Pannuti: Can you put this in relation to the market exposure that you have? I mean, a lot of other consumer companies have spoken about a bit of a deceleration. But specifically, is it possible to share with us what kind of growth you have seen in the market in each of the different divisions?

Magnus Groth: In each of the different divisions? You have to look geographically as well. I guess we are also seeing a slower growth continuing into this year. We had that also last year than in 2015. Of course, in 2015, a large part of the growth came from price increases due to raw material increases and currency exchanges and so on.

And the target that we have now is very much based on cleaning for this and looking at volume growth. But in general, of course, we expect to see higher growth in Personal Care than in both the Tissue categories or Tissue segments also going forward.

Fredrik Rystedt: Celine, your question on the savings, we call it the total cost productivity or the total cost performance, TCP, that was 214, and that includes basically the savings we do on many different fronts and, of course, also measurable directly to EBIT. So that's how we measure it.

And it's also a net number. So included in that 214 is also inflation that we have within our cost of goods sold. So the actual gross savings are higher than 214. This is the way we typically measure. We don't specifically disclose the different parts of TCP. You asked about restructuring, and we don't -- as a separate part of that TCP, we don't do or segregate the components, so to speak.

Your question on exiting India and Mexico, are they included? The same, the answer is no. They're not. This is on the existing business, the cost savings within cost of goods sold.

Celine Pannuti: All right. I have a follow-up question in fact on the new targets. You said that you decided to keep sales growth and return on capital employed because that's how you did it in the past.

Now if I look at some of your public competitors that are focused on Hygiene, they are talking about top line and margin, obviously, as well some of them on return on capital employed but they also have P&L targets. Why is it something that you've not considered? Or if you've considered why are you deciding to use this as your main target?

Magnus Groth: Of course, we looked at the targets from comparable companies in different areas and we believe that with these two targets, we actually cover a number of different areas.

Growth is always important in the categories where we're present and then the return on capital employed covers both our margin ambitions and also then how efficient we are in utilizing our capital and that gives a good summary and also gives enough guidance for you to break it down into those two components, if you wish. Fredrik, do you have anything to add?

Fredrik Rystedt: No, it's exactly like that because basically return on capital employed, it's basically margins and capital turnover. And of course, capital turnover for a relatively capital-intensive business, such as we are, it's super important to maintain good control and efficiency also in the capital base.

So leaving capital completely outside of the equation is not something we would like to do and it's -- we don't believe it's creating value for shareholders to leave that outside. So it's exactly what Magnus said.

And of course, the main change parameter when you look at change to return on capital employed is, needless to say, margin because although we can make ourselves more efficient, the predominant factor is margin. So you basically get the full lead with that measure.

Operator: Your next question is from Iain Simpson from Societe Generale.

Iain Simpson: A couple of questions from me if I may. Within Personal Care, it looks like other items drove half of that very significant increase in adjusted EBIT. I just wondered if you could sort of break that down and then give a bit more color.

Secondly, you're seeing very different input cost trends in Consumer Tissue and Professional Hygiene. Just intuitively, I would have thought that recovered paper costs and pulp costs would be broadly correlated but that's clearly not the case. I just wondered if you can give a bit more color there and whether we should expect a convergence at any point?

Fredrik Rystedt: Maybe I can start with the first one. Yes, I mean, exactly where profit comes out in the bridge is an art, but you spotted a very good point because if you look at the cure or kill exercises and the value of the exits, it basically comes out, to a large extent, in others. So this is the reason.

Magnus Groth: And when it comes to the raw materials, there is, to some extent, a substitution and correlation. However, recycled fiber is much more volatile than fresh fiber. And I'd like to hand over, maybe this is my last chance, to an expert in this area, Ulf. So I don't know if you have any comments on the correlation between fresh fiber and recycled fiber.

Ulf Larsson: I don't think that we have too much in the correlation between fresh and recycled fiber. It's different markets.

Operator: Your next question is from Linus Larsson from SEB.

Linus Larsson: Maybe on the theme of raw material cost increases, if I understand you correctly, you will see -- you are expecting to see sequentially rising raw material unit costs in all three of your divisions. Is that correct? That's my first question. And maybe second to that, if you also could talk about Personal Care, we haven't covered that in the same detail as the other two divisions when it comes to price compensation as we move forward in the next couple of quarters, please.

Magnus Groth: Yes. So the answer to your first question, yes, we expect high raw material costs, both fresh, recycled fiber and oil-based products, so for all of our segments. And to your second question, typically, we have an easier situation in compensating with price increases in emerging markets, and Personal Care has a larger portion of its business in emerging markets.

And it's also easier to compensate with price where we have a larger share of our branded business and this is also the case for Personal Care. So easier to compensate in general in Personal Care than in Tissue. Also in Tissue, easier to compensate in Away-from-Home Tissue, Professional Hygiene than in Consumer Tissue.

Fredrik Rystedt: And if I can just add, Linus, on the raw material, sequentially that was your question, it's higher for Personal Care and for Professional Hygiene and significantly higher for Consumer Tissue.

Linus Larsson: That's great. Excellent. Also now that as it seems the split is fast approaching, could you just reconfirm the net debt allocation between the two entities, please?

Fredrik Rystedt: We did that in our Q4 report. We allocated SEK 5 billion to Forest and the rest, of course, to Hygiene. And as of the end of the year, and you saw the cash flow figure here from Forest and from Hygiene, of course, that accumulates debt.

Linus Larsson: Excellent. And to be perfectly clear, does the SEK five billion as per the end of '16, that's the reference point here?

Fredrik Rystedt: Yes, true. But one thing that is worth noting, you saw that also in the information brochure and in our communication that the dividend to be paid by SCA AB since we are still one group will be paid by Hygiene. So you can basically, to estimate the net debt to Forest, you will take that SEK five billion and then you accumulate the cash flow from the Forest operation.

Linus Larsson: Absolutely. That's perfect. And maybe a follow-up on that, maybe to Ulf, and that's the Östrand CAPEX split. If we assume a June split, as you've said you intended to be today, how much of the Östrand CAPEX will happen before? And how much will happen post split if we look at the total SEK 7.8 billion of CAPEX?

Ulf Larsson: Up to today, as mentioned, we did SEK 3.1 billion. And I mean, we would have some additional, of course, in the second quarter. I don't have the exact figure, really.

Fredrik Rystedt: No. But Linus, we said that if you look at the profile, the '16 sorry '17, '18, will be the large years, so to speak. And so of course, there's much to come, then exactly when you pay the invoice is always super difficult because it depends on the day of invoicing. So it's really to say that exactly is impossible, but you have the approximate number for the full year.

Operator: The next question is from Ian Wood from Redburn.

Ian Wood: Two questions for me just into the business. So in the tissue market, I'd be interested in hearing how you're seeing growth in Europe in terms of private label versus branded products in the consumer category. And then the second question, I think we saw maybe a few weeks ago an announcement you're going to launch a line of diapers in France under the Lotus brand. I'd be interested in hearing what kind of strategy you're going to go for there, what kind of price point you think you'll be coming out of?

Magnus Groth: Thank you for Fredrik for showing here on stage, and thanks for reminding me of this very, very exciting launch that we're super happy about, and I think it shows our confidence when it comes to our performance in Baby in Europe, where we are doing really, really well and where we have a dual track strategy in the same way as we have in Feminine Care and in Tissue in Europe, in Consumer Tissue.

And we have concluded that in France, where we do not have a strong partner for retailer brands, there is a very good opportunity to enter with a branded offering. And since Lotus is the absolute #1 tissue brand and household name in France and also previously was a baby brand, and we're still selling some baby tissue products under the name of Lotus, all our market tests have shown that there's a huge acceptance for this product.

And it's also based, this launch on the fact that we now feel that we have a very, very competitive assortment, both when it comes to quality and consumer preferences and when it comes to costs. So that's why we have an opportunity and we will price ourselves and we're already on shelf in line with other branded offerings and in line, of course, with the assortment of value and premium pricing, so in line with the other branded alternatives.

And your first question, tissue and the mix, private label tissue and branded tissue in Europe, how that's developing, it's quite stable over the last couple of years, a slight increase in some end markets in private label tissue still but not significant that it's really influencing us.

We are, as I already also spoke about, taking a tougher stance when it comes to private label, of course, working together with our partners to develop the retail brands in our private label offering but otherwise prioritizing our own branded products in order to improve margins going forward.

Operator: There is no other question. Thank you.

Josephine Edwall-Björklund: Okay. So I think that was the last question. Any final words from you, Magnus, before we close this press conference?

Magnus Groth: Thank you for coming. And next time, you will have to split into two meetings when SCA the forest company; and Essity, the Hygiene and Health company, will report separately. Thanks for listening.

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