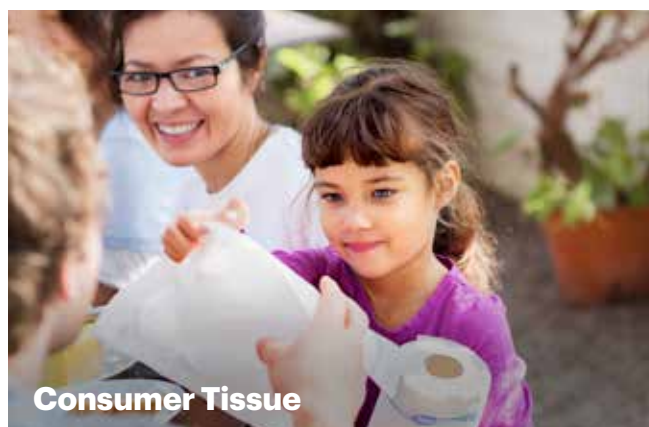


Essity's three business areas





Personal Care



Consumer Tissue



Professional Hygiene

Personal Care

Essity is a leading global player in personal care. Our offering includes Incontinence Products, Baby Care, Feminine Care and Medical Solutions. Products are sold under brands such as Jobst, Leukoplast, Libero, Libresse, Nosotras, Saba and the globally leading brand TENA, and as retailers' brands.

[READ MORE ON PAGES 46-51](#)

Consumer Tissue

Essity is the world's second largest supplier of consumer tissue. Our offering includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. Products are sold under brands such as Edet, Lotus, Regio, Tempo, Vinda and Zewa, and as retailers' brands.

[READ MORE ON PAGES 52-55](#)

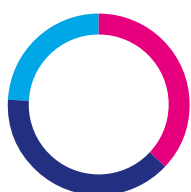
Professional Hygiene

Essity is the world's largest supplier of products and solutions in the market for professional hygiene under the globally leading Tork brand. Our offering comprises complete hygiene solutions, including toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, Internet of Things sensor technology as well as service and maintenance.

[READ MORE ON PAGES 56-59](#)

Share of Group, 2017

NET SALES



■ Personal Care, 37%
■ Consumer Tissue, 39%
■ Professional Hygiene, 24%

ADJUSTED EBITA¹⁾


■ Personal Care, 42%
■ Consumer Tissue, 29%
■ Professional Hygiene, 29%

¹⁾ Excluding items affecting comparability

CAPITAL EMPLOYED



■ Personal Care, 38%
■ Consumer Tissue, 42%
■ Professional Hygiene, 20%

NUMBER OF EMPLOYEES



■ Personal Care, 39%
■ Consumer Tissue, 45%
■ Professional Hygiene, 16%

The global hygiene and health market

The markets for personal care and tissue are described below. The market for personal care comprises the market for Essity's Personal Care business area and the market for tissue comprises the market for Essity's Consumer Tissue and Professional Hygiene business areas.

In 2017, the global hygiene and health market amounted to approximately SEK 1,090bn, of which the global market for personal care accounted for approximately SEK 540bn and the global market for tissue accounted for approximately 550bn. The global market for personal care is divided into baby care (approximately SEK 230bn), feminine care (approximately SEK 125bn), incontinence products (approximately SEK 90bn) and medical solutions (approximately SEK 95bn). The global market for tissue is divided into consumer tissue (approximately SEK 405bn) and professional hygiene (approximately 145bn).

Market growth is positively impacted by global hygiene and health trends and increased awareness of the importance of hygiene to improve health and avoid diseases, especially in emerging markets.

The global market for hygiene and health products was challenging during 2017.

Tissue market

Shifts in global demographics such as population growth, due primarily to a lower infant mortality rate and increased longevity, and higher disposable income point to continued good growth for tissue. The effect of higher disposable income is that more people prioritize hygiene when food and housing needs have been, or are in the process of being, satisfied. The growth potential for tissue is considered greatest in emerging markets where market penetration is significantly lower than in mature markets

and where urbanization, improved infrastructure and the retail trade are evolving rapidly. One example of the lower market penetration in emerging markets is that tissue consumption per capita per year in Eastern Europe is only about one-third of that in Western Europe. Growth is also occurring in mature markets owing to lifestyle changes and innovations that lead to increased use.

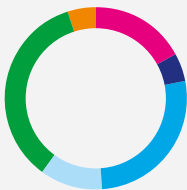
In 2017, the European market for consumer tissue showed low growth and increased competition. The Chinese consumer tissue market noted higher demand.

The European and North American markets for professional hygiene displayed low growth.

Essity's competitors in tissue include Georgia-Pacific, Hengan, Kimberly-Clark and Sofidel.

Hygiene and health market

Global market by region



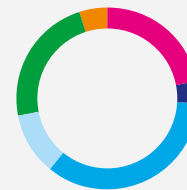
Western Europe, 17%
Eastern Europe, 5%
North America, 27%
Latin America, 11%
Asia, 35%
Other, 5%

Consumer Tissue and Professional Hygiene

Essity's market positions

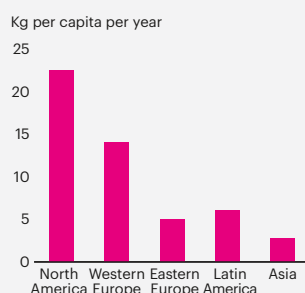
	GLOBAL	EUROPE	NORTH AMERICA	LATIN AMERICA	ASIA
Consumer Tissue	2	1	-	3	1
Professional Hygiene	1	1	2	4	3

Professional Hygiene – global market

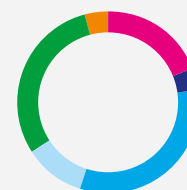


Western Europe, 22%
Eastern Europe, 4%
North America, 35%
Latin America, 11%
Asia, 23%
Other, 5%

Use of tissue



Consumer Tissue – global market



Western Europe, 19%
Eastern Europe, 4%
North America, 32%
Latin America, 11%
Asia, 30%
Other, 4%

Source: The information has been compiled by Essity for presentation purposes based on statistics taken from external market sources, including IRI, RISI, Price Hanna Consultants and National Macro Economics.

Personal care market

Growth in consumption of personal care is supported by favorable demographic trends in emerging and mature markets. Shifts in global demographics such as population growth, due primarily to a lower infant mortality rate and increased longevity, and higher disposable income point to continued good growth for personal care. The effect of higher disposable income is that more people prioritize hygiene when food and housing needs have been, or are in the process of being, satisfied. The growth potential for personal care is greatest in emerging markets where market penetration is significantly lower than in mature markets and where urbanization, improved infrastructure and the retail trade are evolving rapidly. One example of the lower market penetration in emerging markets is that the consumption rates for incontinence products in Asia are only about one-sixth of those in Western Europe. In mature markets, baby care

and feminine care have attained high market penetration. However, market penetration for incontinence products in mature markets is still relatively low for certain product segments, particularly among men, which Essity believes may be due to lack of awareness and the stigma associated with incontinence.

Incontinence, which is classified as a disease by the World Health Organization (WHO), affects 4–8% of the world's population, corresponding to approximately 400 million people. Many indicators point to the proportion of people affected increasing on a global scale as a result of an aging population. By 2020, the population of the world over the age of 60 is expected to have increased to over one billion. The occurrence of incontinence among people over the age of 65 is expected to be between 15 and 20%.

An aging population and increased prevalence of chronic conditions are

expected to increase demand for incontinence products and medical solutions.

In 2017, the European and North American markets for incontinence products in the healthcare sector displayed higher demand, although with continued price pressure as a result of fierce competition, while the retail markets showed good growth but with a continued high level of competition. Emerging markets showed higher demand. The global market for medical solutions demonstrated stable growth. In Europe, demand for baby care and feminine care was stable. In emerging markets, demand rose for baby care and feminine care. The global market for baby care and several markets for feminine care were characterized by increased competition and campaign activity.

Essity's competitors in personal care include Kimberly-Clark, Procter & Gamble, Unicharm and 3M.

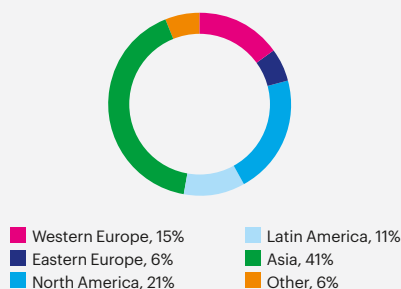
Personal Care

Essity's market positions

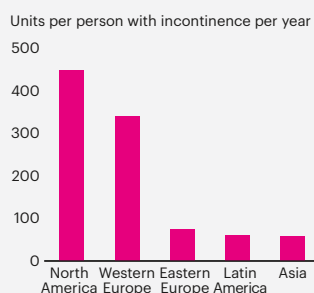
	GLOBAL	EUROPE	NORTH AMERICA	LATIN AMERICA	ASIA
Incontinence Products	1	1	4	1	4
Baby Care	5	2	–	6	6
Feminine Care	6	3	–	1	10
Medical Solutions ¹⁾	4	1	12	1	2

¹⁾ In medical solutions, in the market in which the company is active, Essity is the world's fourth largest player.

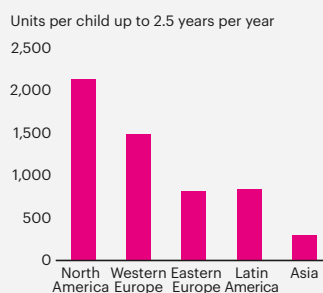
Personal care – global market



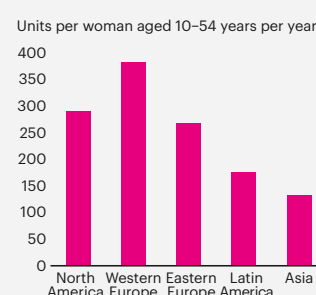
Use of incontinence products



Use of baby care



Use of feminine care



Source: The information has been compiled by Essity for presentation purposes based on statistics taken from external market sources, including IRI, Price Hanna Consultants and National Macro Economics.



Personal Care

Essity is a leading global player in personal care. Essity's Personal Care offering includes Incontinence Products, Baby Care, Feminine Care and Medical Solutions.

Products are sold under brands, such as Jobst, Leukoplast, Libero, Libresse, Nosotras, Saba and TENA, and as retailers' brands. The globally leading brand for incontinence products, TENA, is Personal Care's largest brand a "billion-dollar brand",

meaning a brand with annual sales exceeding USD 1bn. Distribution channels for the products are the retail trade, online sales, pharmacies and care institutions.

Personal Care generated approximately SEK 41bn in net sales in 2017, which accounted for 37% of Essity's net sales for 2017. At the end of 2017, Personal Care had production at 36 sites in 24 countries. In 2017, Essity acquired BSN medical, a leading medical solutions company. BSN medical constitutes Medical Solutions and was included in Personal Care as of the second quarter of 2017.

Examples of brands



Libero



Leukoplast®

Cutimed®



Delta-Cast®

Actimove®

Operations in 2017

Net sales

SEK 40,586m

Organic sales

+1.8%

Adjusted EBITA¹⁾

SEK 5,937m

Net sales increased 20.6% to SEK 40,586m (33,651). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 1.8%, of which volume accounted for 2.2% and price/mix for -0.4%. The closures of the Baby Care business in Mexico and the hygiene business in India negatively impacted organic sales by approximately 1%. Organic sales in mature markets increased by 1.7%. In emerging markets, which accounted for 37% of net sales, organic sales rose 2.0%. The acquisition of BSN medical increased net sales by 18.7%. Exchange rate effects increased net sales by 0.1%.

For Incontinence Products, under the globally leading TENA brand, organic sales increased 2.7%. Growth is related to emerging markets, North America and Western Europe. The European retail sector reported good growth, while lower sales to the healthcare sector had a negative effect on growth. For Baby Care, organic sales decreased 2.5%. The decline was mainly the result of the closures of the Baby Care businesses in Mexico and India, as well as lower sales in Russia. In Europe, organic sales increased for Baby Care. For Feminine Care, organic sales increased by 3.7%, related to Latin America and Asia.

Adjusted EBITA margin¹⁾

14.6%

Adjusted return on capital employed¹⁾

20.5%

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹⁾ rose 39% (11% excluding currency translation effects and acquisition) to SEK 5,937m (4,283). The increase was mainly related to the acquisition of BSN medical, higher volumes, cost savings, increased profitability for Incontinence Products in North America and the closures of the Baby Care business in Mexico and the hygiene business in India. Higher raw material costs, lower prices and increased investments in marketing activities negatively impacted earnings. The acquisition of BSN medical increased profit by 27%.

Adjusted EBITA margin¹⁾ was 14.6% (12.7).

Adjusted return on capital employed¹⁾ was 20.5% (31.8%).

Operating cash surplus amounted to SEK 7,238m (5,314).

Operating cash flow totaled SEK 5,453m (4,723).

Capital expenditures amounted to SEK 2,074m (1,896).

¹⁾ Excluding items affecting comparability.

Key figures

SEKm	2017	2016
Net sales	40,586	33,651
Operating cash surplus	7,238	5,314
Change in working capital	-237	289
Current capital expenditures, net	-1,282	-805
Other operating cash flow	-266	-75
Operating cash flow	5,453	4,723
Adjusted EBITA ¹⁾	5,937	4,283
Adjusted EBITA margin ¹⁾ , %	14.6	12.7
Capital employed	39,447	13,665
Adjusted return on capital employed ¹⁾ , %	20.5	31.8
Strategic capital expenditures		
plant and equipment	-792	-1,091
company acquisitions/divestments	-26,041	197
Average number of employees	17,088	13,237
No. of employees at Dec. 31	18,370	13,156

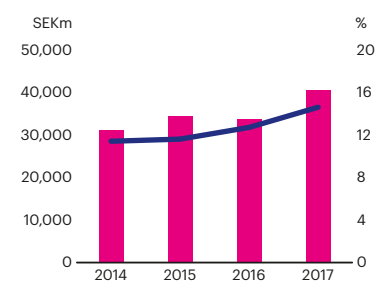
¹⁾ Excluding items affecting comparability.

Emerging markets accounted for



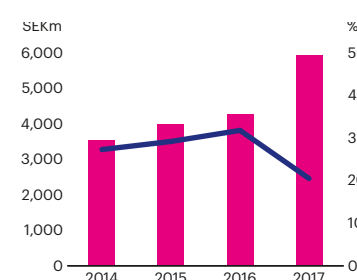
of the business area's net sales in 2017. In emerging markets, organic sales increased by 2.0% for 2017.

Net sales and adjusted EBITA margin¹⁾



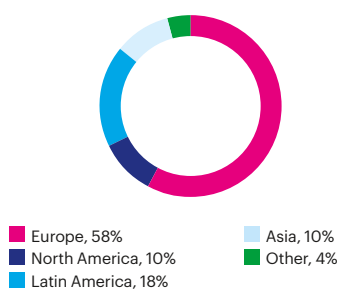
¹⁾ Excluding items affecting comparability.

Adjusted EBITA¹⁾ and adjusted return on capital employed¹⁾

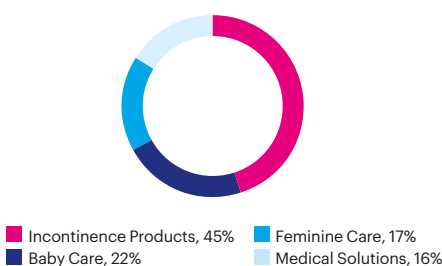


¹⁾ Excluding items affecting comparability.

Net sales by region



Net sales by product segment



For Personal Care, 10% of total sales were related to retailers' brands. For Incontinence Products: 1%, Baby Care: 39%, Feminine Care: 6%, Medical Solutions: 0%.

Incontinence Products



TENA Intimates products with ProSkin Technology “For your skin’s natural protection”

Incontinence easily causes skin problems – the best way of avoiding this is to keep skin dry. TENA Intimates are designed with the users skin’s protection in mind. We have combined our trusted TENA Triple Protection with new ProSkin Technology to offer a fast absorbing pad that keeps the feeling of being intimately fresh and clean. The Pro Skin Technology includes our new soft top layer and exclusive 3D technology to quickly wick fluid away – helping to maintain the skin’s natural protection.

Offering and market position

Essity offers a broad range of incontinence products under the globally leading brand TENA. TENA is a “billion-dollar brand”, meaning a brand with annual sales exceeding USD 1bn. Essity’s offering of both products and services improves the quality of life for consumers and reduces costs for institutional customers, such as nursing homes. Essity’s offering also includes an assortment of skincare products, wet wipes and wash gloves. Through TENA Solutions, Essity helps nursing homes provide the best care by offering procedures, analysis tools and training. The advantages include improved well-being for the care recipients, a better workplace environment for the caregivers, less resource consumption and lower overall costs. Essity is the global market leader in the market for incontinence products with a global market share that is about twice the size of the second largest player. Essity is the market leader in Europe, Asia (excluding Japan) and Latin America. In North America and Asia (including Japan), Essity is the fourth largest player.

Strategy

Essity is prioritizing activities to strengthen TENA’s global market-leading position by driving profitable growth and expanding at a faster rate than the market. Growth is expected to be achieved by increasing market shares and penetration and by broadening the customer offering by increasing sales in such segments as skincare products and wet wipes. Essity’s strategy is to increase online sales of incontinence products to consumers. For the consumers, the benefits are easy-to-access information about incontinence and the

opportunity to simply and discreetly order incontinence products from one of Essity’s e-commerce partners or one of TENA’s 21 webshops worldwide. Innovation activities are important and involve understanding customer and consumer needs in order to continuously enhance products and services and develop the offering to further increase customer satisfaction and brand loyalty.

By launching innovative products and solutions, the TENA brand and market positions are strengthened. During the year, Essity launched eight innovations, including TENA Lady Pants Discreet, TENA Lady Discreet and TENA Men Active Fit Pants.

In North America, the situation for Essity’s TENA brand has been more challenging and the priority has been to improve profitability. Actions have been taken to reduce costs, discontinue unprofitable product ranges and focus on fewer but more profitable products, which led to enhanced profitability during 2017.

Since incontinence is still surrounded by social stigma in many regions of the world, it is important to raise understanding and acceptance of the condition to enhance the quality of life of people suffering from incontinence. We do this by:

- working actively to remove the stigma surrounding incontinence and continuing to invest to increase market penetration. A central part of this is providing information and arranging marketing activities, training and global forums. Focusing in the retail trade on information, advertising and the development of increasingly discreet, comfortable, easy-to-use and effective products, always with customer and consumer benefits in mind.

TENA Lady Discreet, incontinence products with microPROTEX Technology

For our consumers, a discreet and feminine product is important to promote enhanced well-being. With the TENA Lady Discreet’s innovative design we increase the life quality for our consumers. The asymmetric body shape with narrower crotch for better fit and comfort and with a feminine print design enhances both the femininity and function. It is 20% thinner and still just as secure. It is also good for nature as the carbon footprint has been reduced by 15%.



- arranging seminars and educational programs for nurses and professional caregivers within the scope of the health and medical care systems in various countries.
- working with decision-makers and governments in different countries to help establish sustainable reimbursement systems.

Baby Care

Libero

Lotus
Baby

Drypers

Pequeñín



Launch of Lotus Baby Touch diapers and wet wipes in France

France is one of Europe's biggest baby diaper markets with over 780,000 births per year and there has been a lack of competitive choices when it comes to diapers. Our brand, Lotus, is a strong consumer tissue brand with over 50 years of history in France. Combining the strength of the Lotus brand with Essity's baby care category know-how, our excellent go-to-market, as well as deep relations with France's leading retailers, we set the ground for a great launch of a new baby care brand in France. Our new brand, Lotus Baby Touch, pushes the boundaries and strives to be a modern brand for today's parent.

Offering and market position

Essity offers open baby diapers and pant diapers as well as baby care products such as wet wipes, shampoo, lotion and baby oil. Essity is the world's fifth largest player in the area and the second largest in Europe. In Europe, Essity markets baby diapers under its own Libero and Lotus brands and as retailers' brands. Essity's strongest market is the Nordic region, where the Libero brand is the market leader. Examples of other strong regional brands are Drypers in South East Asia and Pequeñín in South America.

Strategy

Essity works to strengthen its branded positions in both mature and emerging markets and to improve profitability

in Baby Care. The strategy is to hold the number one or two position in the selected markets in which we are present. For Baby Care, it is important to have a premium or super-premium offering in order to be competitive. Through continuous innovation activities, we develop our customer offering for both our branded and retailer branded product ranges.

In 2017, Essity launched in France under the Lotus brand a new premium range, Lotus Baby Touch, that includes baby diapers and wet wipes. The launch of innovative products strengthen Baby Care's brands and market positions. During the year, we launched five innovations, including a new generation of Libero Up&Go. During 2017, we discontinued the hygiene business in India,

which largely related to Baby Care. The reason for the closure was the assessment that profitability could not be achieved within a reasonable time frame.

Libero KLUBBEN

In the new Libero club, parents can invite family and friends to follow their children's development and exciting life events. Highlights of the year are gathered in a personal photobook that can be ordered via Libero's loyalty program at the website www.libero.se/nya-liberoklubben.

Feminine Care



New Saba Cuidado-V Intimate Care Range

Essity is the market leader in Latin America and the launch of the new Saba Cuidado is another way to further strengthen our consumer offering. The new Saba Cuidado-V Intimate Care range is a line of products specifically designed to care for women's most delicate intimate area, every day of the month. This launch is the first step into expanding our feminine care brand to daily intimate care in line with our brand vision to become "the leading brand in period care and daily intimate care" and to position our brand as the expert in v-zone intimate care.

Offering and market position

In Feminine Care, Essity offers a broad product portfolio that includes pads, panty liners, tampons, intimate soaps and intimate wipes. Essity is the world's sixth largest player in the product segment, the third largest in Europe and the market leader in Latin America. A large and growing share of sales is taking place in emerging markets such as Latin America, Russia, Eastern Europe, the Middle East and Asia. Examples of regional brands supported by Essity's global brand platform include Libresse in the Nordic region, Russia and Malaysia, Bodyform in the UK, Nana in France, the Middle East and North Africa, and Saba and Nosotras in Latin America.

Strategy

Essity's strategy is to be the fastest growing brand in the feminine care product segment globally and to increase sales while maintaining good profitability. We use innovation to improve customer offerings and broaden the product category with such items as intimate wipes and intimate soaps to increase market share and brand loyalty. The launch of innovative products strengthen Feminine Care's brands and market positions.

During the year, we launched three innovations, including Discreet tampons under the Nana and Libresse brands and Saba Buenas Noches. Essity's feminine care brand platform and global advertising campaigns enable Essity to reach more consumers in various geographic markets with the same product improve-

ments. Essity endeavors to remove the taboos surrounding menstruation and promote awareness of hygiene and menstruation. Educational programs are arranged in Latin America, Asia and Europe that aim to educate girls about what happens to their bodies during puberty and when they have their period.



Medical Solutions

JOBST®

Leukoplast®

Cutimed®

Delta-Cast®

Offering and market position

Medical Solutions is a new product segment that consists of BSN medical's operations acquired in 2017. Essity's Medical Solutions product segment offers products and solutions in wound care, compression therapy and orthopedics. In medical solutions, in the market in which the company is active, Essity is the world's fourth largest player. Essity's acute wound care offering includes a broad range of products, for example, surgical tapes, retention bandages, surgical/post-operation dressings and adhesive bandages and plasters. Essity holds the number two position globally within acute wound care. For advanced wound care, Essity offer products for the treatment of severe and complex wounds for wound bed preparation, infection control and to promote healing.

Within compression therapy, Essity offers a broad range of phlebology products¹⁾, including compression stockings, medical compression garments, and lymphology products²⁾, such as compression bandages and wraps. Essity is the number one global provider of compression therapy products. In orthopedics, Essity offers multiple products in fracture and injury management, including cast tapes, splinting material, casting accessories, physiotherapy and orthopedic soft goods and braces. Essity is a global leader in fracture management and physiotherapy.

¹⁾ Phlebology refers to the branch of medicine studying veins.

²⁾ Lymphology refers to the branch of medicine studying lymphatic vessels.

Strategy

Medical Solutions holds leading market positions in several medical solutions product categories and provides a new growth platform with future consolidation opportunities. Essity's incontinence business, with the globally leading TENA brand, shares similar positive market characteristics, customers and sales channels with Medical Solutions, which provides opportunities for accelerated growth through cross-selling.

During the year, 11 innovations were launched, including Siltec Redesign under the Cutimed brand, Lymphcare – a virtual tool to connect and engage therapists and patients – and antimicrobial spools under the Leuko brand.

Cutimed® Siltec

Cutimed® Siltec® dressings are an assortment of silicone-coated foam dressings. The dressings are indicated for exuding wounds, such as venous leg and arterial ulcers, pressure ulcers, diabetic gangrenes, surgical incisions, skin grafts and donor sites, lacerations or abrasions.



Antimicrobial spools for surgical tapes – Leukoplast® Leukosilk® Leukopor® Leukoflex® Leukoderm®

The world's first spools and snap rings with antimicrobial properties that reduce the risk of cross-contamination in health care settings. More than 99.9% MRSA reduction within six hours.

MRSA = Methicillin-resistant Staphylococcus aureus. MRSA is a type of bacteria that is resistant to several widely used antibiotics. This means infections with MRSA can be harder to treat than other bacterial infections. (Source: NHS UK).



Consumer Tissue

Essity is the world's second largest supplier of consumer tissue. Our offering includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins.

Products are sold under brands, such as Edet, Lotus, Regio, Tempo, Vinda and Zewa, and as retailers' brands. Vinda, which

is the leading brand in China, is a "billion-dollar brand", meaning a brand with annual sales exceeding USD 1bn. Distribution channels for the products are the retail trade and online sales.

Consumer Tissue generated approximately SEK 42bn in net sales in 2017, which accounted for 39% of Essity's net sales for 2017. At the end of 2017, Consumer Tissue had production at 46 sites in 19 countries. 32 of the 46 sites also had production for Professional Hygiene.

Examples of brands



Operations in 2017

Net sales

SEK 42,014m

Organic sales

+0.5%

Adjusted EBITA¹⁾

SEK 4,084m

Net sales increased 1.0% to SEK 42,014m (41,560). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 0.5%, of which volume accounted for 0.7% and price/mix for -0.2%. Organic sales decreased 3.4% in mature markets. The decline was mainly related to lower prices and volumes of products sold as retailers' brand. In emerging markets, which accounted for 44% of net sales, organic sales increased by 6.2%. The increase was related to Asia, Latin America and Russia. Exchange rate effects increased net sales by 0.5%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹⁾ declined 8% (9% excluding currency translation effects) to SEK 4,084m (4,450). This

Adjusted EBITA margin¹⁾

9.7%

Adjusted return on capital employed¹⁾

9.8%

decrease was mainly related to higher raw material costs that had a negative impact of SEK 1,000m on earnings. Lower prices also had a negative impact on earnings. Higher volumes and cost savings positively impacted earnings.

Adjusted EBITA margin¹⁾ was 9.7% (10.7).

Adjusted return on capital employed¹⁾ was 9.8% (10.9%).

Operating cash surplus amounted to SEK 6,163m (6,455).

Operating cash flow amounted to SEK 3,850m (5,199).

Capital expenditures amounted to SEK 2,889m (2,646).

¹⁾ Excluding items affecting comparability.

Key figures

SEKm	2017	2016
Net sales	42,014	41,560
Operating cash surplus	6,163	6,455
Change in working capital	-425	891
Current capital expenditures, net	-1,749	-1,892
Other operating cash flow	-139	-255
Operating cash flow	3,850	5,199
Adjusted EBITA ¹⁾	4,084	4,450
Adjusted EBITA margin ¹⁾ , %	9.7	10.7
Capital employed	43,569	40,082
Adjusted return on capital employed ¹⁾ , %	9.8	10.9
Strategic capital expenditures		
plant and equipment	-1,140	-754
company acquisitions/divestments	25	0
Average number of employees	21,397	20,880
No. of employees at Dec. 31	21,563	21,371

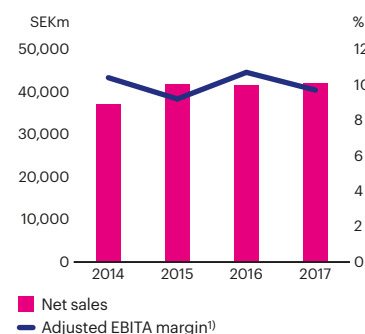
¹⁾ Excluding items affecting comparability.

Emerging markets accounted for



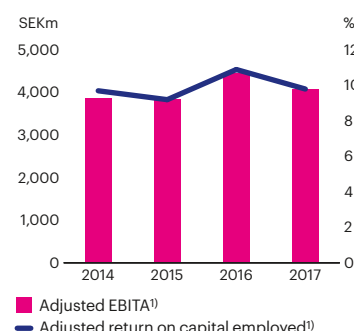
of the business area's net sales in 2017. In emerging markets, organic sales increased by 6.2% for 2017.

Net sales and adjusted EBITA margin¹⁾



¹⁾ Excluding items affecting comparability.

Adjusted EBITA¹⁾ and adjusted return on capital employed¹⁾



¹⁾ Excluding items affecting comparability.

Net sales by region



For Consumer Tissue, 34% of total sales were related to retailers' brands.

Our business



Zewa®/Lotus®/Tempo®/ Colhogar®/Edet® Moist toilet paper

Moist toilet paper is a new kind of product offering additional benefits to dry toilet paper in terms of softness, freshness and cleanliness. Essity's moist toilet paper is made from 100% natural fibers and cleans better than dry toilet paper alone. The moist toilet paper is skin-friendly and pH-neutral and is flushable and biodegradable like toilet paper.

Offering and market position

Essity's offering includes toilet paper, household towels, handkerchiefs, facial tissues, wet wipes and napkins. Products are sold under brands such as Edet, Lotus, Regio, Tempo, Vinda and Zewa, and as retailers' brands. Essity is the world's second largest supplier of consumer tissue. In Europe, Essity is the market leader and holds a market share that is approximately twice the size of the second largest player. Essity also holds strong positions in several emerging markets, such as Russia and Colombia, where the company is the market leader, and in Mexico, where it holds the number two position. Essity is number one in China through its majority shareholding in Vinda.

Products sold under Essity's own brands account for approximately 66% of sales. The remaining approximately 34% are sold as retailers' brands. Essity's brand portfolio comprises many strong brands. Lotus, Tempo and Zewa are the leading brands in, for example, France, Germany and Russia, while Cushelle, Velvet and Plenty are strong brands in the UK and Ireland, and Edet in the Nor-

dic region and the Netherlands. Tempo is the market leader in handkerchiefs in Hong Kong and Morocco. In Latin America, Essity holds leading positions in Mexico with the Regio brand and in Colombia with the Familia brand. Vinda is the leading brand in China.

Strategy

In the markets where Essity is present, the strategy is to be the leading supplier of strong brands by maintaining a high pace of innovation and successful brand marketing. We are also focused on expanding our product categories to further strengthen the customer offering. The launch of innovative products strengthens Essity's brands and market positions. During the year, we launched seven innovations, including a moist toilet paper under the Lotus and Tempo brands, among others. A new Tempo handkerchief was also launched.

For Consumer Tissue, Essity has assigned priority to increasing profitability by reducing costs and optimizing sourcing, production and distribution efficiency. In Europe, the aim is to further strengthen Essity's leading market

position and its own Consumer Tissue brands and to grow the branded share of total sales. In parallel, we aim to be the best supplier of retailers' brands.

To improve efficiency and further increase value creation in the Consumer Tissue and Professional Hygiene business areas, Tissue Roadmap was launched in 2016. This is a plan to optimize the supply chain, increase cost and capital efficiency and secure capacity for potential future growth. In addition, the aim is to enable faster production adaptation in conjunction with innovations and product upgrades. Tissue Roadmap balances structural and organic efficiency opportunities in the supply chain with capacity expansion in selected markets.



Tempo washing machine resistant handkerchiefs

Tempo has always been known for its perfect balance of softness and strength. Our latest upgrade to the Tempo range has resulted in a handkerchief that is so soft yet still strong enough to survive a cycle in the washing machine, meaning that you avoid having your clothes covered in fluff and lint because of a forgotten handkerchief in a pocket.





Professional Hygiene

Essity is the leading global player in professional hygiene with the global Tork brand. Tork is a “billion-dollar brand”, meaning a brand with annual sales exceeding USD 1bn.

Essity’s offering comprises complete hygiene solutions, including toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, Internet of Things sensor technology as well as ser-

vice and maintenance. Professional hygiene customers consist of companies and office buildings, universities, healthcare facilities, industries, restaurants, hotels, stadiums and other public venues. Distribution channels for the products consist of distributors and online sales.

Professional Hygiene generated approximately SEK 27bn in net sales in 2017, which accounted for 24% of Essity’s net sales for 2017. At the end of 2017, Professional Hygiene had production at 43 sites in 18 countries. 32 of the 43 sites also had production for Consumer Tissue.

Our brand



Operations in 2017

Net sales

SEK 26,700m

Organic sales

+1.5%

Adjusted EBITA¹⁾

SEK 4,004m

Net sales increased 2.6% to SEK 26,700m (26,001). Organic sales, which exclude exchange rate effects, acquisitions and divestments, increased 1.5%, of which volume accounted for -0.7% and price/mix for 2.2%. Price/mix was positively impacted by higher prices in North America and a better mix in Europe and North America. The acquisition of Wausau Paper Corp. increased net sales by 0.6%. Organic sales decreased 0.5% in mature markets due to lower volumes. These lower volumes are mainly the result of the decision to discontinue contracts with unsatisfactory profitability. In emerging markets, which accounted for 18% of net sales, organic sales increased by 12.4%. The increase was mainly related to Asia, Latin America and Eastern Europe. Exchange rate effects increased net sales by 0.5%.

Adjusted operating profit before amortization of acquisition-related intangible assets (EBITA)¹⁾ rose 4% (3% excluding currency translation effects and acquisition) to SEK 4,004m (3,836).

Adjusted EBITA margin¹⁾

15.0%

Adjusted return on capital employed¹⁾

19.7%

Better price/mix, cost savings and the acquisition of Wausau Paper Corp. had a positive impact on earnings. Higher raw material costs mainly due to a significant increase in recovered paper prices and lower volumes had a negative impact on earnings.

Adjusted EBITA margin¹⁾ was 15.0% (14.8).

Adjusted return on capital employed¹⁾ was 19.7% (19.6%).

Operating cash surplus amounted to SEK 5,649m (5,515).

Operating cash flow amounted to SEK 4,411m (4,135).

Capital expenditures amounted to SEK 888m (1,455).

¹⁾ Excluding items affecting comparability

Key figures

SEKm	2017	2016
Net sales	26,700	26,001
Operating cash surplus	5,649	5,515
Change in working capital	73	-30
Current capital expenditures, net	-719	-1,267
Other operating cash flow	-592	-83
Operating cash flow	4,411	4,135
Adjusted EBITA ¹⁾	4,004	3,836
Adjusted EBITA margin ¹⁾ , %	15.0	14.8
Capital employed	20,034	21,253
Adjusted return on capital employed ¹⁾ , %	19.7	19.6
Strategic capital expenditures		
plant and equipment	-169	-188
company acquisitions/divestments	1	-6,395
Average number of employees	7,900	8,032
No. of employees at Dec. 31	7,767	7,993

¹⁾ Excluding items affecting comparability.

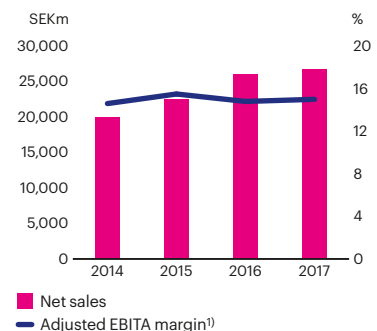
Emerging markets accounted for



of the business area's net sales in 2017.

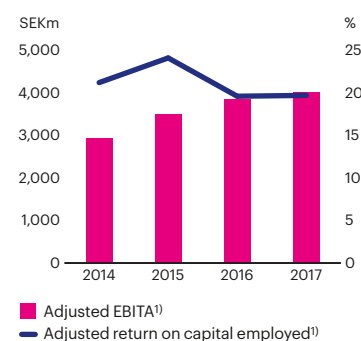
In emerging markets, organic sales increased by 12.4% for 2017.

Net sales and adjusted EBITA margin¹⁾



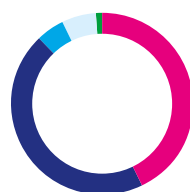
¹⁾ Excluding items affecting comparability.

Adjusted EBITA¹⁾ and adjusted return on capital employed¹⁾



¹⁾ Excluding items affecting comparability.

Net sales by region



■ Europe, 43%
 ■ North America, 45%
 ■ Latin America, 5%
 ■ Asia, 6%
 ■ Other, 1%

Our business



Offering and market position

Essity is the leading global player in professional hygiene with the global Tork brand. Tork is a “billion-dollar brand”, meaning a brand with annual sales exceeding USD 1bn. Essity’s offering comprises complete hygiene solutions, including toilet paper, paper hand towels, napkins, hand soap, hand lotion, hand sanitizers, dispensers, cleaning and wiping products, Internet of Things sensor technology as well as service and maintenance. Essity is the market leader in Europe and holds a market share that is approximately twice the size of the second largest player. Essity is the second largest supplier in North America and holds a particularly strong market position in the foodservice segment, where Essity estimates that it supplies approximately every second napkin. Essity also has strong positions in emerging markets, such as Russia and Colombia, where the company is the market leader. The global Tork brand provides significant synergies since customer requirements in relation to professional hygiene are similar in various parts of the world.

Strategy

Essity is prioritizing activities to strengthen Tork’s global market leading position through profitable growth and expansion to become the market leader in North America. Essity is focusing on increasing customer satisfaction and loyalty by helping our customers to be more efficient and environmentally friendly and by improving hygiene standards. The launch of innovative products and solutions strengthens the Tork brand and market positions. The Tork brand has revolutionized facility cleaning by bringing an Internet of Things solution to facility management in venues such as stadiums, amusement parks, hospitals, airports and offices around the world. Through its award-winning Tork EasyCube™ facility management software, Essity empowers cleaners and facility managers to track real-time data to ensure that soap and hand sanitizer, paper hand towels and toilet paper never run out, thereby lowering costs and improving user experiences. This enables customers to deliver higher cleaning quality more effi-

ciently by having real-time information on what is needed, when and where. This new data-driven cleaning saves time and boosts the productivity and job satisfaction of cleaning staff. During the year, Essity launched eight innovations, including Tork PeakServe®, Tork ExcelCLEAN® and Tork PaperCircle™.

The integration of Wausau Paper Corp., acquired in 2016, proceeded according to plan during the year. During 2017, Wausau’s four brands were successfully migrated to Tork.

To improve efficiency and further increase value creation in the Consumer Tissue and Professional Hygiene business areas, Tissue Roadmap was launched in 2016. This is a plan to optimize the supply chain, increase cost and capital efficiency and secure capacity for potential future growth. In addition, the aim is to enable faster production adaptation in conjunction with innovations and product upgrades. Tissue Roadmap balances structural and organic efficiency opportunities in the supply chain with capacity expansion in selected markets.

New, improved Tork cleaning cloth with ExelCLEAN®

Tork cleaning cloths consist of range of nonwoven multipurpose soft and flexible cleaning cloths that are suitable for cleaning and industrial uses. The cloths are strong and durable and represent a good alternative to rental shop towels and rags. The cleaning cloths can be stored in a wall-mounted or portable dispenser, ensuring that they are close at hand, can be economically dispensed and are protected from dirt. The packs of folded cloths have been compressed by up to 26%, reducing the need for storage space and enabling even more cleaning cloths to be loaded into the dispensers.



Tork PeakServe® Continuous® paper hand towel system

Tork PeakServe® is a completely new hand-wiping system specifically tailored for high-traffic areas. With the highest capacity in the market, it allows facility managers to serve 250% more guests between refills¹⁾. This will result in fewer complaints of empty paper hand towel dispensers. The time cleaning staff save by less frequent refilling can be spent on other tasks to enhance the guest's washroom experience. The system is easy to load, generates less waste and gives a more hygienic and pleasant washroom. Furthermore, the towels are compressed by 50%, which results in smaller pack sizes and thus reduced storage space requirements.



¹⁾ Compared with a traditional paper hand towel dispenser.