

The hygiene and health market

In 2018, the global hygiene and health market amounted to approximately SEK 1,210bn, of which the global market for personal care accounted for approximately SEK 620bn and the global market for tissue accounted for approximately SEK 590bn.

The global market for personal care is divided into baby care (approximately SEK 250bn), feminine care (approximately SEK 140bn), incontinence products (approximately SEK 100bn) and medical solutions (approximately SEK 130bn). The global market for tissue is broken down into consumer tissue (approximately SEK 440bn) and professional hygiene (approximately SEK 150bn).

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

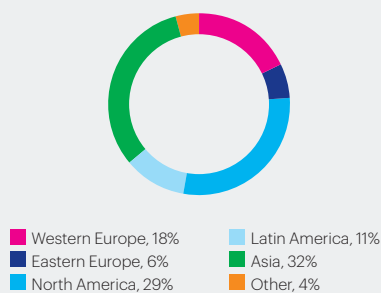
Personal care market

Growth in consumption of personal care products is supported by favorable demographic trends in emerging and mature markets. Shifts in global demographics such as population growth and increased longevity as well as 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 is due to lack of awareness and the stigma associated with incontinence.

The hygiene and health market

Global market by region



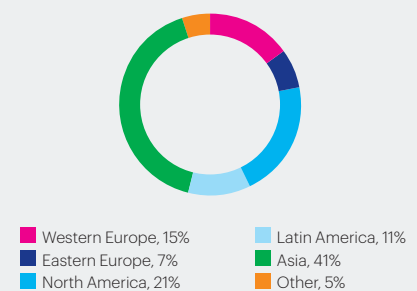
Personal Care

Essity's market positions

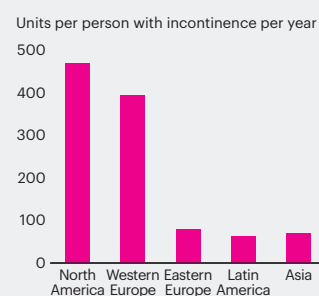
	GLOBAL	EUROPE	NORTH AMERICA	LATIN AMERICA	ASIA
Incontinence Products	1	1	4	1	3
Baby Care	5	2	-	6	6
Feminine Care	6	3	-	1	10
Medical Solutions ¹⁾	4	1	12	1	2

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

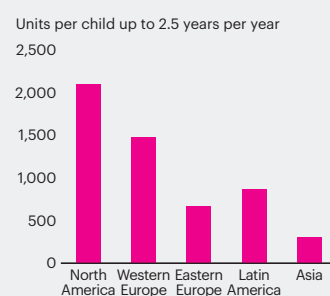
Personal Care – global market



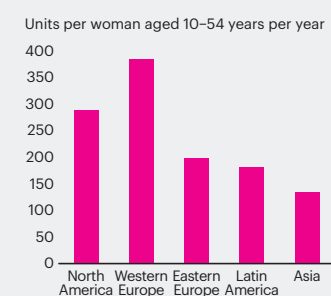
Use of incontinence products



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.

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.

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

Tissue market

Shifts in global demographics such as population growth and increased longevity as well as 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.

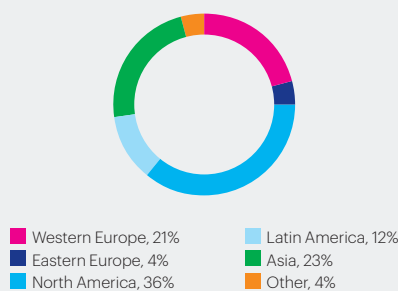
Essity's competitors in tissue include Georgia-Pacific, Hengan, Kimberly-Clark and Sofidel.

Consumer Tissue and Professional Hygiene

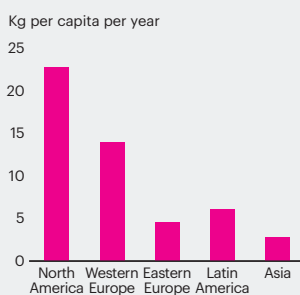
Essity's market positions

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

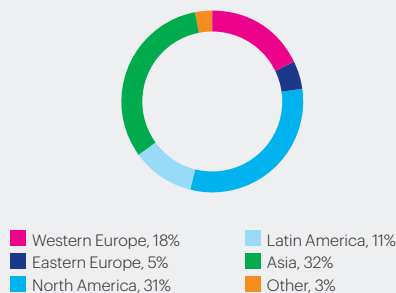
Professional Hygiene – global market



Use of tissue



Consumer Tissue – global market



Personal Care



Libresse V-Care™ Range

Our new range of intimate washes, wipes & liners specifically designed for a feeling of intimate cleanliness and well-being everyday.



Leukoplast



Delta-Cast

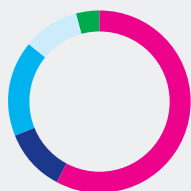
Actimove

Cutimed

Libero



Net sales by region



■ Europe, 58%
 ■ North America, 11%
 ■ Latin America, 17%
 ■ Asia, 10%
 ■ Other, 4%

Net sales by product category



■ Incontinence Products, 44%
 ■ Baby Care, 20%
 ■ Feminine Care, 17%
 ■ Medical Solutions, 19%

For Personal Care, 10% of total net sales were related to retailer brands. For Incontinence Products: 1%, Baby Care: 41%, Feminine Care: 5%, Medical Solutions: 0%.

Emerging markets accounted for



of the business area's net sales in 2018. In emerging markets, organic net sales increased by 4.4% in 2018.

Essity is a leading global player in personal care

Offering

Essity's offering includes Incontinence Products, Medical Solutions, Baby Care and Feminine Care. Products are sold under brands such as TENA, JOBST, Leukoplast, Libero, Libresse, Nosotras and Saba, and as retailer brands.

In Incontinence Products, with the globally leading brand TENA, Essity offers a broad range of incontinence products that also includes skincare products, wet wipes and wash gloves. In Baby Care, Essity offers open baby diapers and pant diapers as well as baby care products such as wet wipes, shampoo, lotion and baby oil. In Europe, Essity offers baby diapers under its own Libero and Lotus brands and as retailer brands. In Feminine Care, Essity offers a broad product portfolio that includes pads, panty liners, tampons, intimate soaps and intimate wipes. In Medical Solutions, Essity offers products and services in wound care, vascular and orthopedics.

Distribution channels are the retail trade, online sales, pharmacies, hospitals, distributors and care institutions.

Market positions

Essity is the global market leader in the market for incontinence products with the TENA brand, holding 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. Essity is the third largest player in Asia (including Japan) and the fourth largest in North America.

In Baby Care, Essity is the world's fifth largest player in the area and the second largest in Europe. 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 Pequeñin in South America.

In Feminine Care, Essity is the world's sixth largest player, the third largest in Europe and the market leader in Latin America. Examples of regional brands supported by Essity's global brand platform in Feminine Care include Libresse in the Nordic region, Russia, Eastern Europe, the Netherlands and Malaysia, Bodyform in the UK, Nana in France, the Middle East and North Africa, and Saba and Nosotras in Latin America.

In Medical Solutions, in the product categories in which the company is active, Essity is the world's fourth largest player. Essity is the market leader in Europe and Latin America. Essity is the largest global player in vascular and the third largest player in orthopedics. In wound care, which includes acute and advanced

wound care, Essity is the sixth largest player. Essity holds the number two position within acute wound care. Examples of strong brands include JOBST, Leukoplast, Cutimed, Delta-Cast and Actimove.

Production facilities

At the end of 2018, Personal Care had production at 37 sites in 24 countries.

Operations in 2018

Net sales increased 11.7% to SEK 45,342m (40,586). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 3.0%, of which volume accounted for 2.4% and price/mix for 0.6%. Organic net sales in mature markets increased 2.3%. In emerging markets, which accounted for 36% of net sales, organic net sales increased 4.4%. Acquisitions increased net sales by 5.8%, of which the acquisition of BSN medical accounted for 4.8% and acquisitions relating to the increase in the shareholding in associates in Latin America accounted for 1.0%. Exchange rate effects increased net sales by 2.9%.

For Incontinence Products, with the globally leading TENA brand, organic net sales increased 4.2%. For Baby Care, organic net sales decreased 2.3%. For Feminine Care, organic net sales increased 9.3%.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA), increased 7% (declined 6% excluding currency translation effects and acquisitions) to SEK 6,354m (5,937). The increase was mainly related to a better price/mix, higher volumes, cost savings and the acquisition of BSN medical. Higher raw material and energy costs and higher distribution costs negatively impacted earnings. Acquisitions increased profit by 7%, of which the acquisition of BSN medical accounted for 6% and acquisitions relating to the increase in the shareholding in associates in Latin America accounted for 1%.

Key figures

SEKm	2018	2017	%
Net sales	45,342	40,586	12%
Organic net sales ¹⁾ , %	+3.0%	+1.8%	
Adjusted EBITA ²⁾	6,354	5,937	7%
Adjusted EBITA margin ²⁾ , %	14.0%	14.6%	
Adjusted return on capital employed ²⁾ , %	15.3%	20.5%	
Operating cash flow	5,812	5,453	7%
Investments in non-current assets	-2,134	-2,074	
Average number of employees	18,328	17,088	

¹⁾ Excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.

Net sales

SEK 45,342m

Organic net sales¹⁾

+3.0%

Adjusted EBITA²⁾

SEK 6,354m

Adjusted EBITA margin²⁾

14.0%

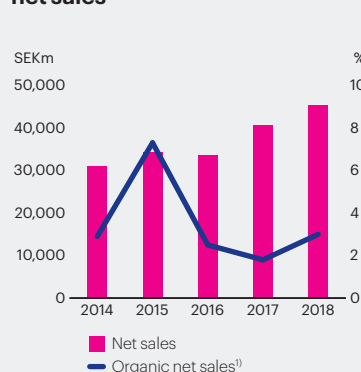
Adjusted return on capital employed²⁾

15.3%

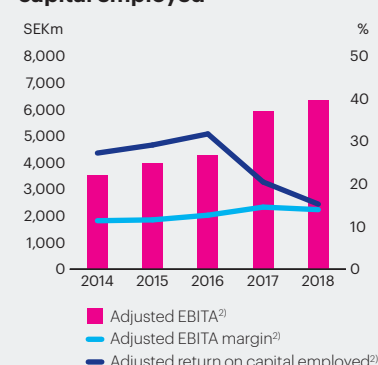
¹⁾ Excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.

Net sales and organic net sales¹⁾



Adjusted EBITA²⁾, adjusted EBITA margin²⁾ and adjusted return on capital employed²⁾



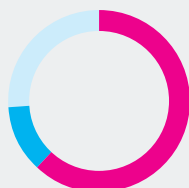
Consumer Tissue



Lotus Moltone! Sans Tube/Zewa Smart
Our first coreless toilet paper: no empty core to be discarded and thus less waste, and because it holds more paper it lasts longer.



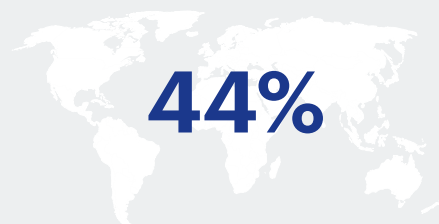
Net sales
by region



■ Europe, 62%
■ Latin America, 12%
■ Asia, 26%

For Consumer Tissue, 34% of total net sales was related to retailer brands.

Emerging markets accounted for



of the business area's net sales in 2018. In emerging markets, organic net sales increased by 5.0% in 2018.

Essity is the world's second largest supplier of consumer tissue

Offering

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. In Europe, Essity also sells products under retailer brands. Products sold under Essity's own brands account for about 66% of net sales, while the remaining 34% are sold under retailer brands.

Distribution channels are the retail trade and online sales.

Market positions

Essity is the world's second largest supplier of consumer tissue. Essity's brand portfolio comprises many strong brands.

In Europe, Essity is the market leader and holds a market share that is approximately twice the size of the second largest player. 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 Nordic region and the Netherlands.

Essity is the market leader in China through its majority shareholding in Vinda. Vinda is the leading brand in China.

In Latin America, Essity is the market leader in Colombia and holds the number two position in Mexico. Familia and Regio are leading brands in Colombia and Mexico respectively.

Production facilities

At the end of 2018, Consumer Tissue had production at 47 sites in 19 countries.

Operations in 2018

Net sales increased 7.4% to SEK 45,125m (42,014). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 2.6%, of which volume accounted for -1.1% and price/mix for 3.7%. The increase was mainly attributable to Asia and Europe. Organic net sales increased 0.7% in mature markets. In emerging markets, which accounted for 44% of net sales, organic net sales increased by 5.0%. Acquisitions relating to the increase in the shareholding in associates in Latin America increased net sales by 0.5%. Exchange rate effects increased net sales by 4.3%.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 18% (22% excluding currency translation effects and acquisitions) to SEK 3,331m (4,084). Higher prices and a better mix as well as cost savings positively impacted earnings. Higher raw material and energy costs as well as higher distribution costs negatively impacted earnings. The significantly higher raw material costs were mainly the result of higher pulp prices.

Key figures

SEKm	2018	2017	%
Net sales	45,125	42,014	7%
Organic net sales ¹⁾ , %	+2.6%	+0.5%	
Adjusted EBITA ²⁾	3,331	4,084	-18%
Adjusted EBITA margin ²⁾ , %	7.4	9.7	
Adjusted return on capital employed ²⁾ , %	7.4	9.8	
Operating cash flow	3,691	3,850	-4%
Investments in non-current assets	-3,074	-2,889	
Average number of employees	21,235	21,397	

¹⁾ Excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.

Net sales

SEK 45,125m

Organic net sales¹⁾

+2.6%

Adjusted EBITA²⁾

SEK 3,331m

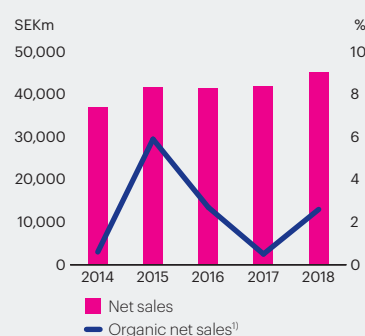
Adjusted EBITA margin²⁾

7.4%

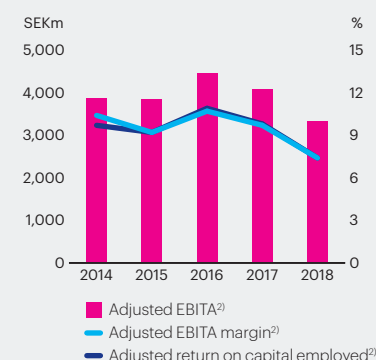
Adjusted return on capital employed²⁾

7.4%

Net sales and organic net sales¹⁾



Adjusted EBITA²⁾, adjusted EBITA margin²⁾ and adjusted return on capital employed²⁾



¹⁾ Excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.

Professional Hygiene



Tork Reflex® Single Sheet Centrefeed Dispenser

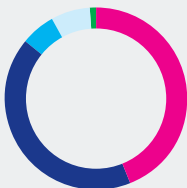
The ideal hand and surface wiping solution for professional environments, designed to fit workplace flow. This easy-to-use, hygienic and durable system increases flexibility and helps users work more efficiently. Single sheet dispensing cuts down on waste by reducing paper consumption by up to 37% when compared to the Tork Centrefeed system.



Think ahead.



Net sales by region



■ Europe, 44%
■ North America, 42%
■ Latin America, 6%
■ Asia, 7%
■ Other, 1%

Emerging markets accounted for



of the business area's net sales in 2018. In emerging markets, organic net sales increased by 13.7% in 2018.

Essity is the leading global player in professional hygiene

Offering

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 as well as service and maintenance. Essity also offers digital solutions, such as Internet of Things sensor technology.

Customers consist of companies and office buildings, universities, healthcare facilities, industries, restaurants, hotels, stadiums and other public venues. Distribution channels consist of distributors and online sales.

Market positions

Essity is the world's largest supplier of products and services in the market for professional hygiene with the globally leading Tork brand. We are the market leader in Europe and hold 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 we estimate that the company supplies approximately every second napkin. Essity also has strong positions in emerging markets, such as Russia and Colombia, where we are the market leader.

Production facilities

At the end of 2018, Professional Hygiene had production at 45 sites in 18 countries.

Operations in 2018

Net sales increased 4.9% to SEK 28,017m (26,700). Organic net sales, which exclude exchange rate effects, acquisitions and divestments, increased 1.9%, of which volume accounted for -0.3% and price/mix for 2.2%. The increase was primarily related to Europe, Asia and Latin America. Organic net sales decreased 0.6% in mature markets. Organic net sales increased in Western Europe while it decreased in North America. In emerging markets, which accounted for 19% of net sales, organic net sales increased 13.7%. Acquisitions relating to the increase in the shareholding in associates in Latin America increased net sales by 0.1%. Exchange rate effects increased net sales by 2.9%.

Adjusted operating profit before amortization of acquisition-related intangible assets (adjusted EBITA) decreased 4% (8% excluding currency translation effects and acquisitions) to SEK 3,841m (4,004). Earnings were impacted positively by higher prices, a better mix and cost savings. Higher raw material and energy costs as well as higher distribution costs had a negative impact on earnings.

Key figures

SEKm	2018	2017	%
Net sales	28,017	26,700	5%
Organic net sales ¹⁾ , %	+1.9%	+1.5%	
Adjusted EBITA ²⁾	3,841	4,004	-4%
Adjusted EBITA margin ²⁾ , %	13.7	15.0	
Adjusted return on capital employed ²⁾ , %	18.1	19.7	
Operating cash flow	3,678	4,411	-17%
Investments in non-current assets	-1,336	-888	
Average number of employees	7,659	7,900	

¹⁾ Excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.

Net sales

SEK 28,017m

Organic net sales¹⁾

+1.9%

Adjusted EBITA²⁾

SEK 3,841m

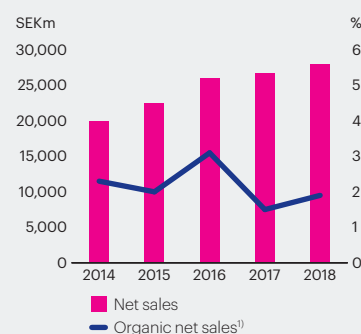
Adjusted EBITA margin²⁾

13.7%

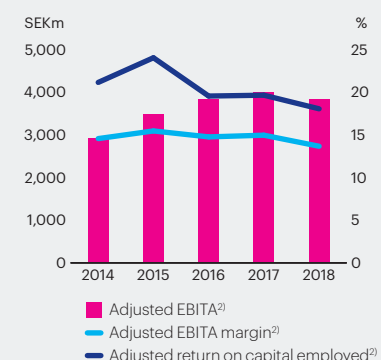
Adjusted return on capital employed²⁾

18.1%

Net sales and organic net sales¹⁾



Adjusted EBITA²⁾, adjusted EBITA margin²⁾ and adjusted return on capital employed²⁾



¹⁾ Excluding exchange rate effects, acquisitions and divestments.

²⁾ Excluding items affecting comparability.