



# Interim Report Q3 2018

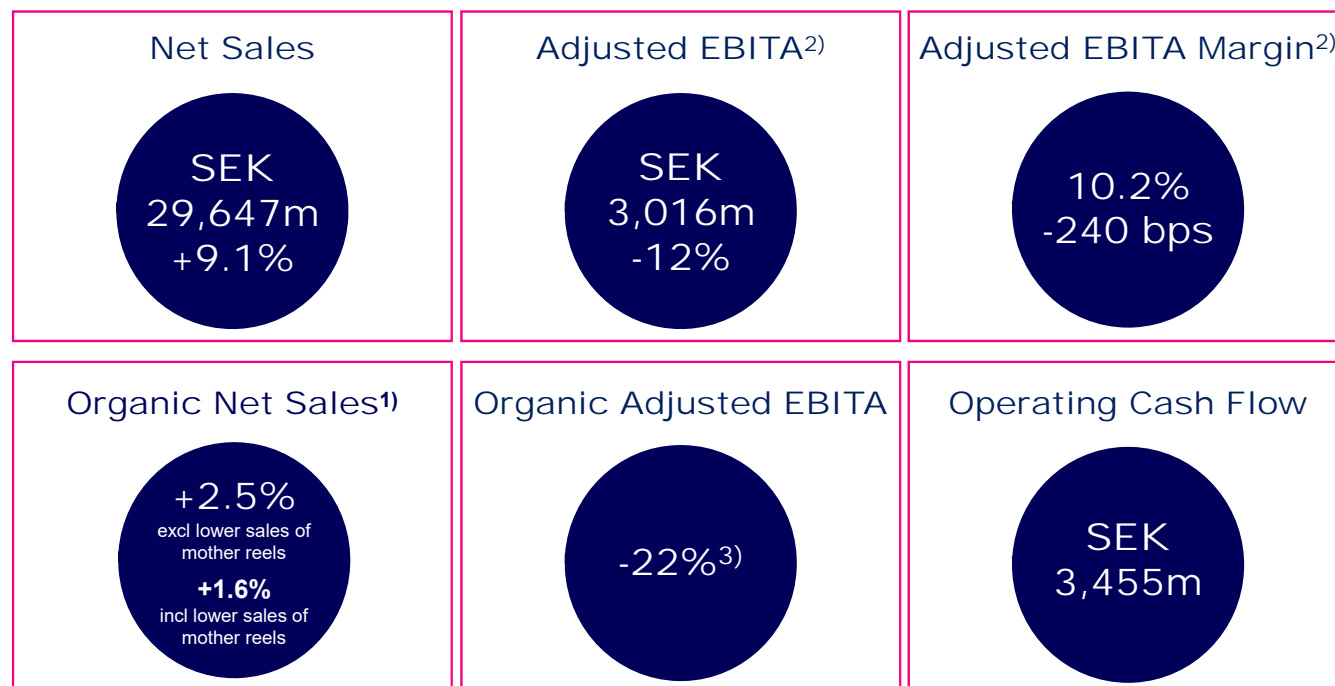


This presentation may contain forward-looking statements. Such statements are based on our current expectations and are subject to certain risks and uncertainties that could negatively affect our business. Please read our most recent annual and sustainability report for a better understanding of these risks and uncertainties.

# Summary

## Q3 2018 vs Q3 2017

- Challenging market conditions
- Higher organic net sales<sup>1)</sup> in all business areas
- Higher prices, better mix and cost savings in all business areas
- Significantly higher raw material- and energy costs with negative impact on adjusted EBITA margin of -510 bps
- Higher distribution costs
- Launched 13 innovations
- Essity industry leader in Dow Jones Sustainability Index



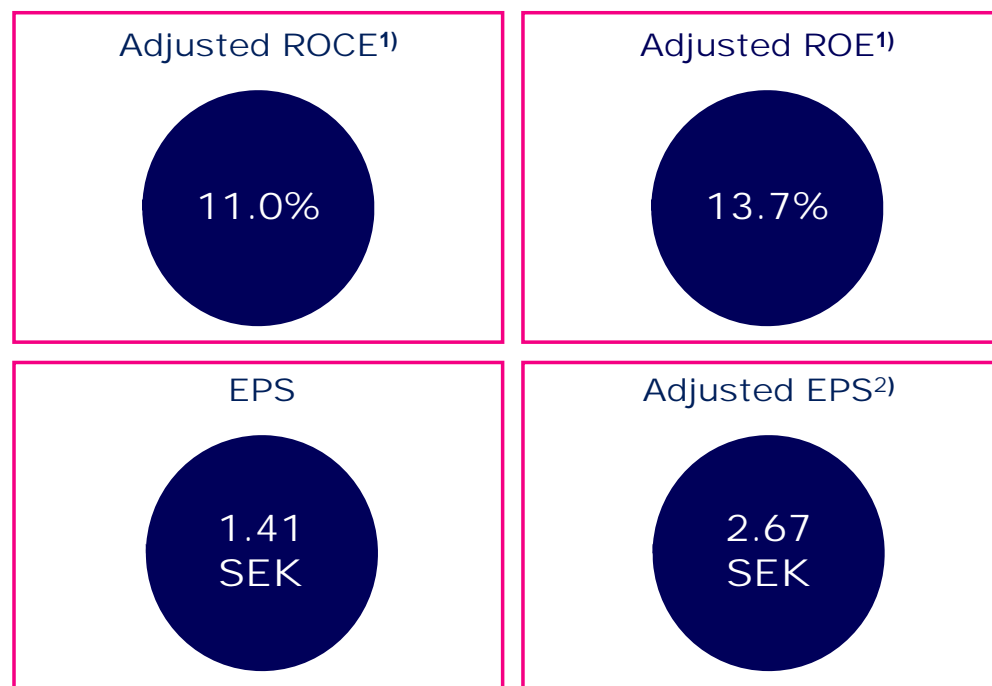
<sup>1)</sup> Net sales which excludes exchange rate effects, acquisitions and divestments

<sup>2)</sup> Excluding items affecting comparability

<sup>3)</sup> Excluding items affecting comparability, currency translation effects and acquisitions

# Financial Summary

Q3 2018



<sup>1)</sup> Excluding items affecting comparability

<sup>2)</sup> Excluding items affecting comparability and amortization of acquisition-related intangible assets

# Profitability-enhancing Measures

- Investments in our strong brands
  - 13 innovations launched during Q3 2018
- Price increases
  - Consumer Tissue: initiated negotiations for further price increases with expected impact mainly 2019
  - Personal Care and Professional Hygiene: activities to increase prices are ongoing
- Intensifying efficiency improvements and restructuring
- Group-wide cost-savings program with expected annual cost-savings of approx SEK 900m, full effect end of 2019
- Enhanced organizational structure



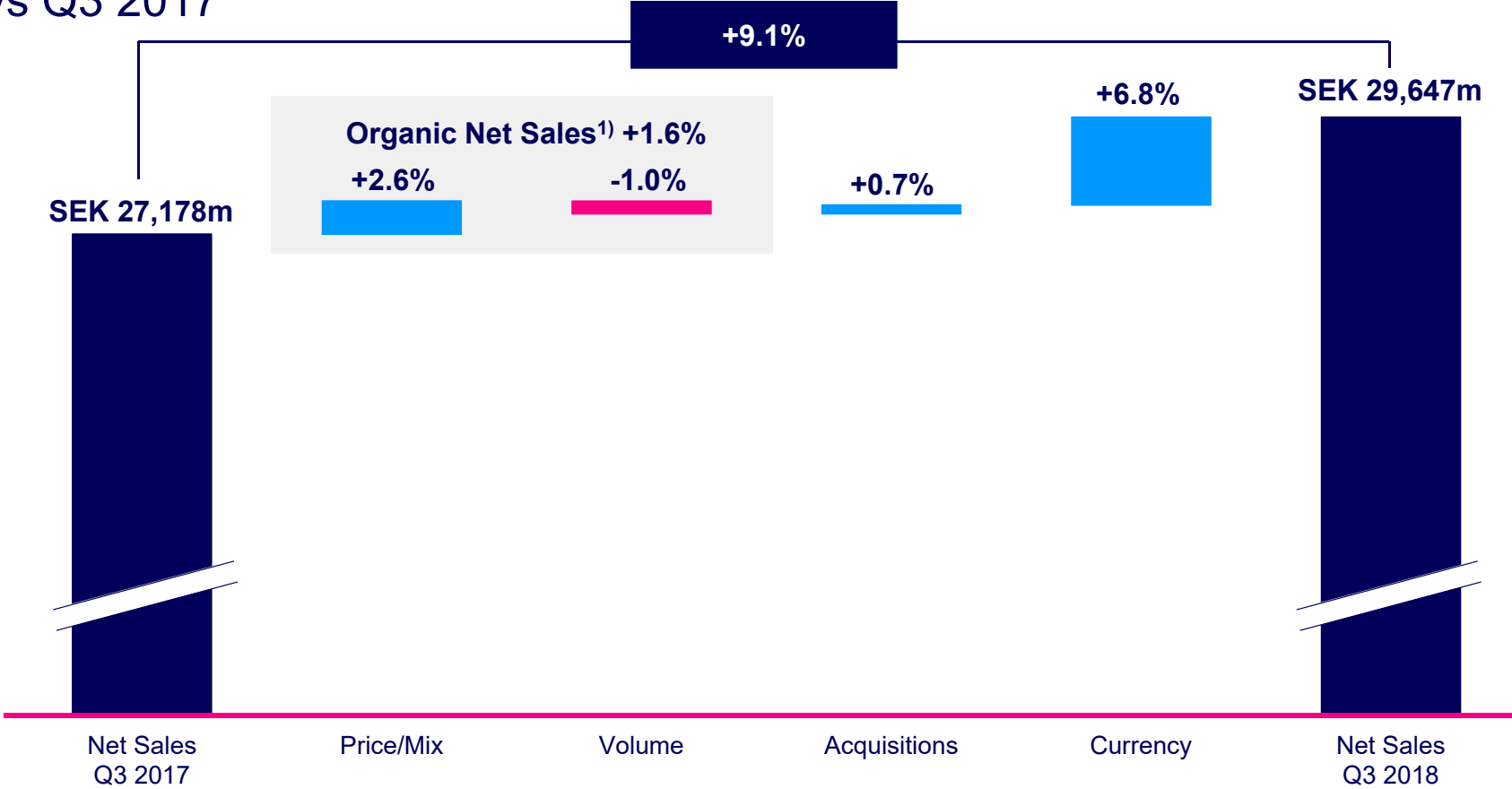
# Innovate Bigger Brands

13 Innovations Launched in Q3 2018



# Net Sales

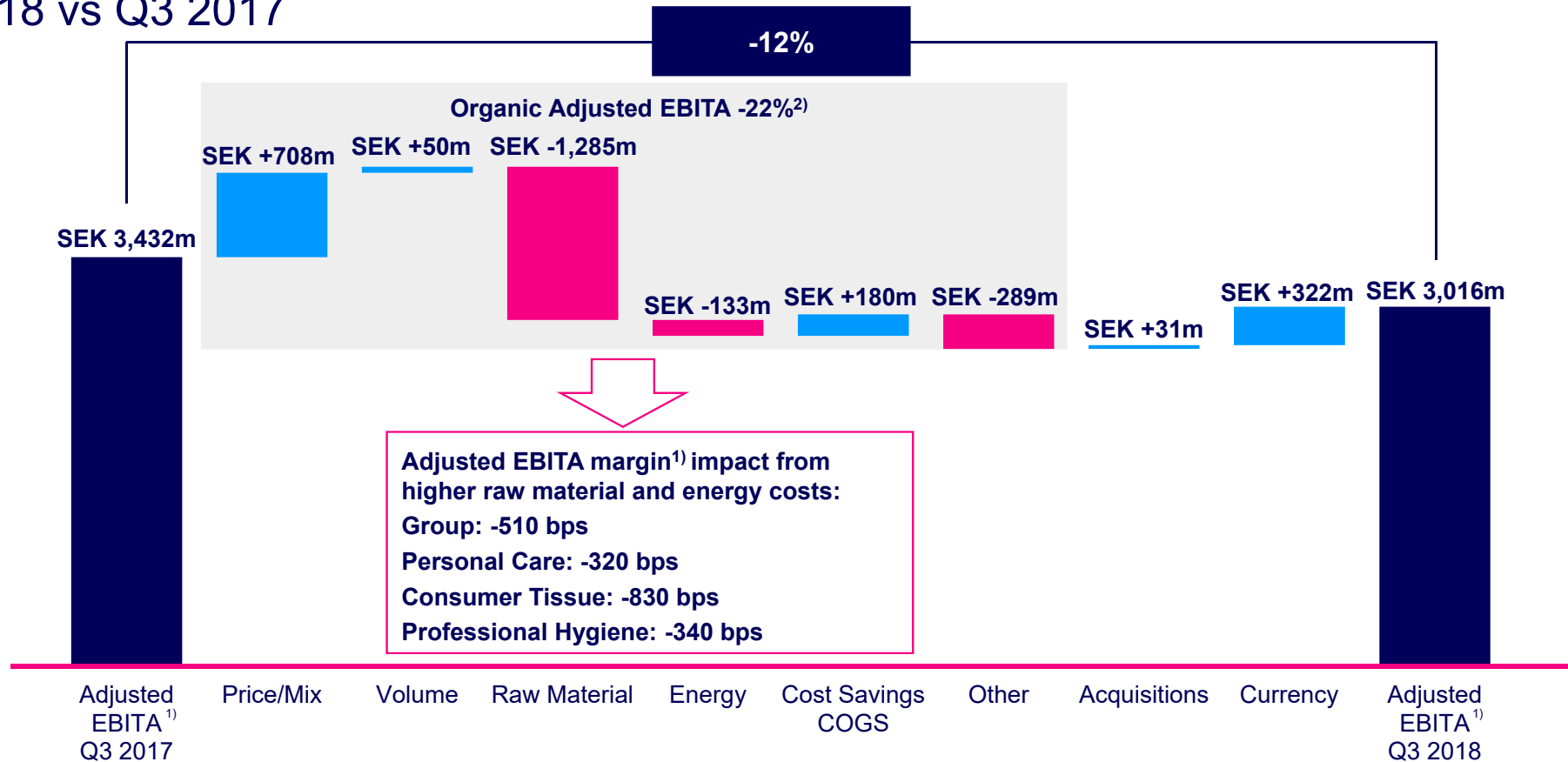
Q3 2018 vs Q3 2017



<sup>1)</sup> Net sales which excludes exchange rate effects, acquisitions and divestments

# Adjusted EBITA<sup>1)</sup>

Q3 2018 vs Q3 2017

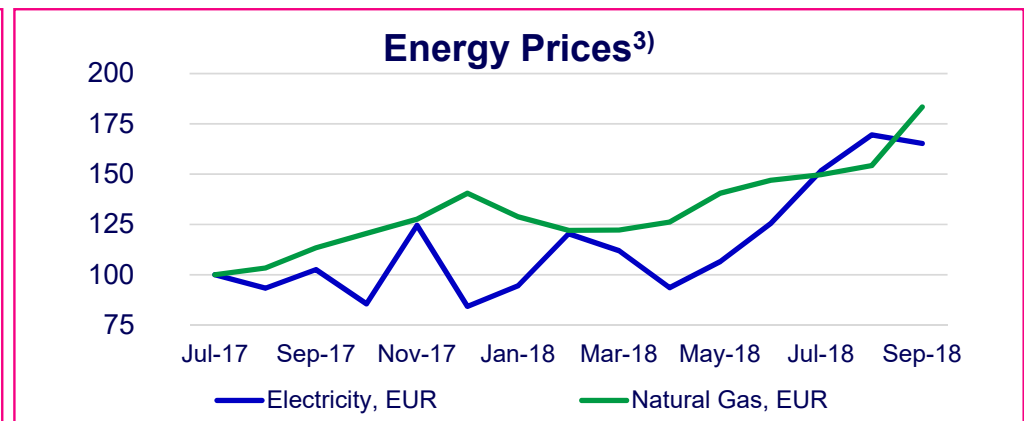
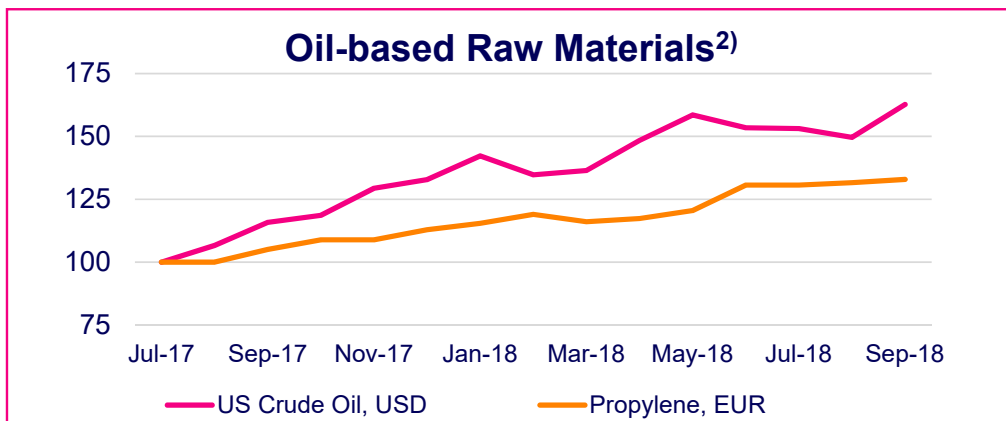
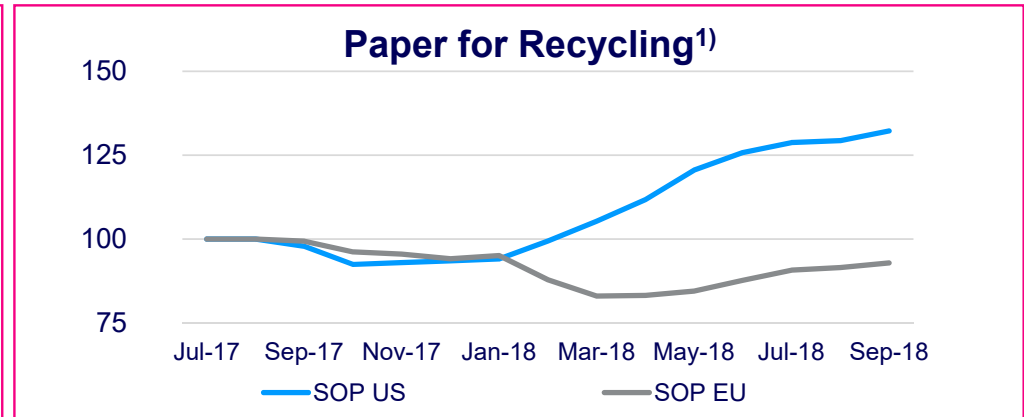
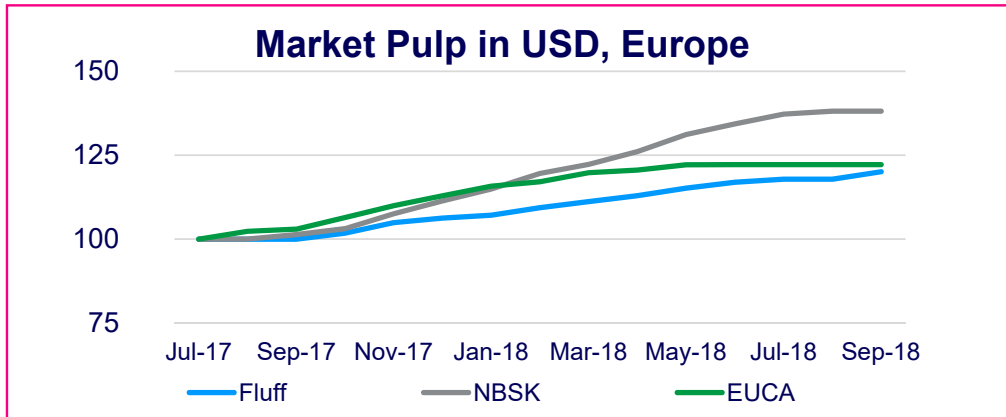


<sup>1)</sup> Excluding items affecting comparability

<sup>2)</sup> Excluding items affecting comparability, currency translation effects and acquisitions



# Raw Material Development



Index 100 = July 2017

1) Sorted Office Paper. Index in local currencies. EU refers to Germany

2) Propylene major feedstock of SAP material

3) Electricity Germany. Natural Gas, TTF Index

Source: FOEX, RISI, VDP, Macrobond, Epexspot, ICIS-LOR

# Efficiency Improvements

Q3 2018 vs Q3 2017

## COGS Savings

- Tissue Roadmap
  - Closure of production capacity
  - Headcount reduction
- Operational efficiency improvements
- Material rationalization
- Sourcing savings



**SEK 180m**

## SG&A Savings

- Reduction of travel and hiring costs
- Reduced office costs
- Headcount reduction



**SG&A as 17.6% of sales -20 bps**

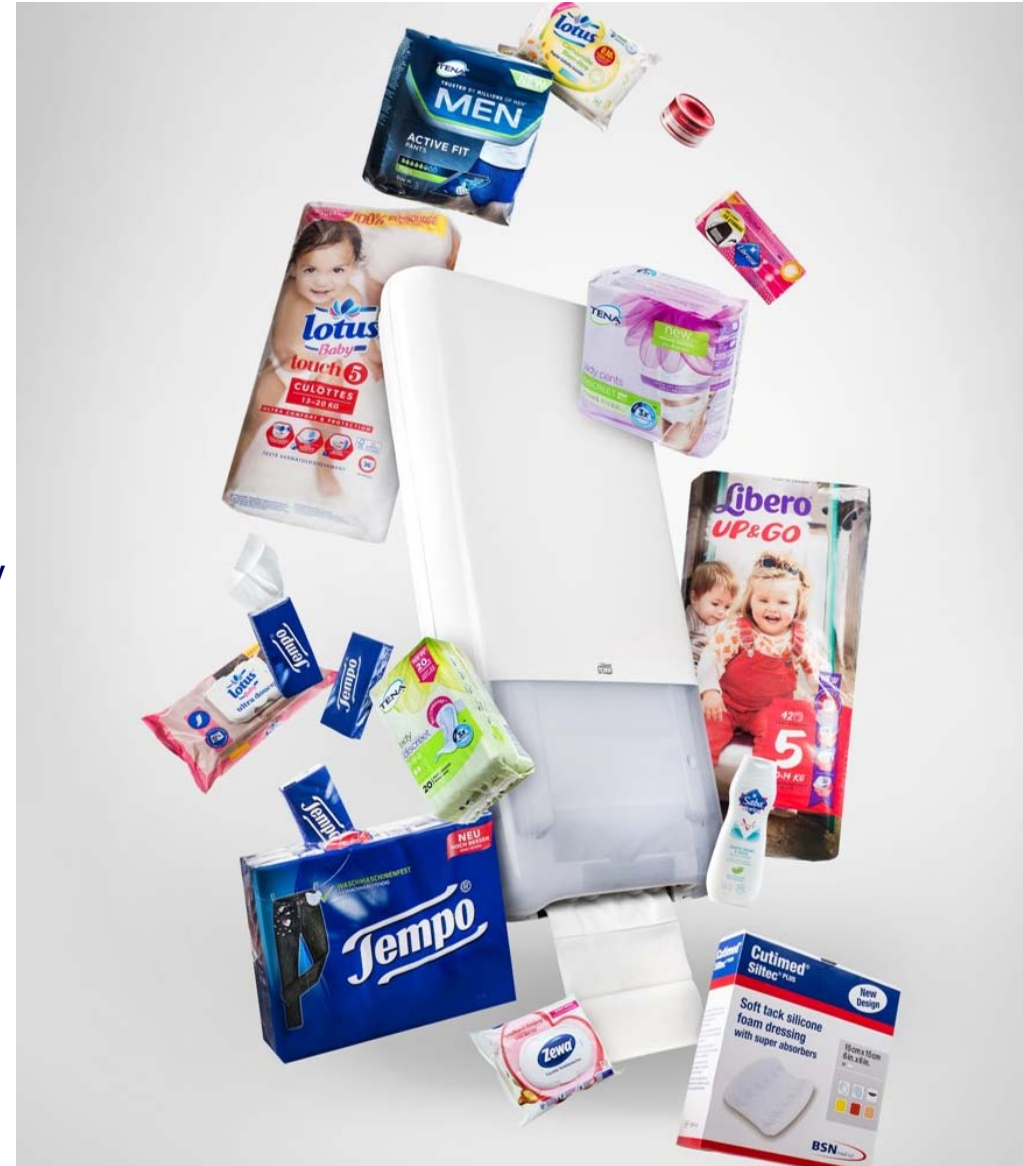
# Cost-Savings Program

To Increase Profitability and Strengthen Competitiveness

- The program is in addition to the efficiency initiatives already in progress
- Reduce the cost base related to COGS and SG&A primarily through headcount reduction of **approx 1,000 positions**
- Expected restructuring costs of **approx SEK 700m**
  - Expected to impact cash-flow and to be recognized as items affecting comparability in 2019



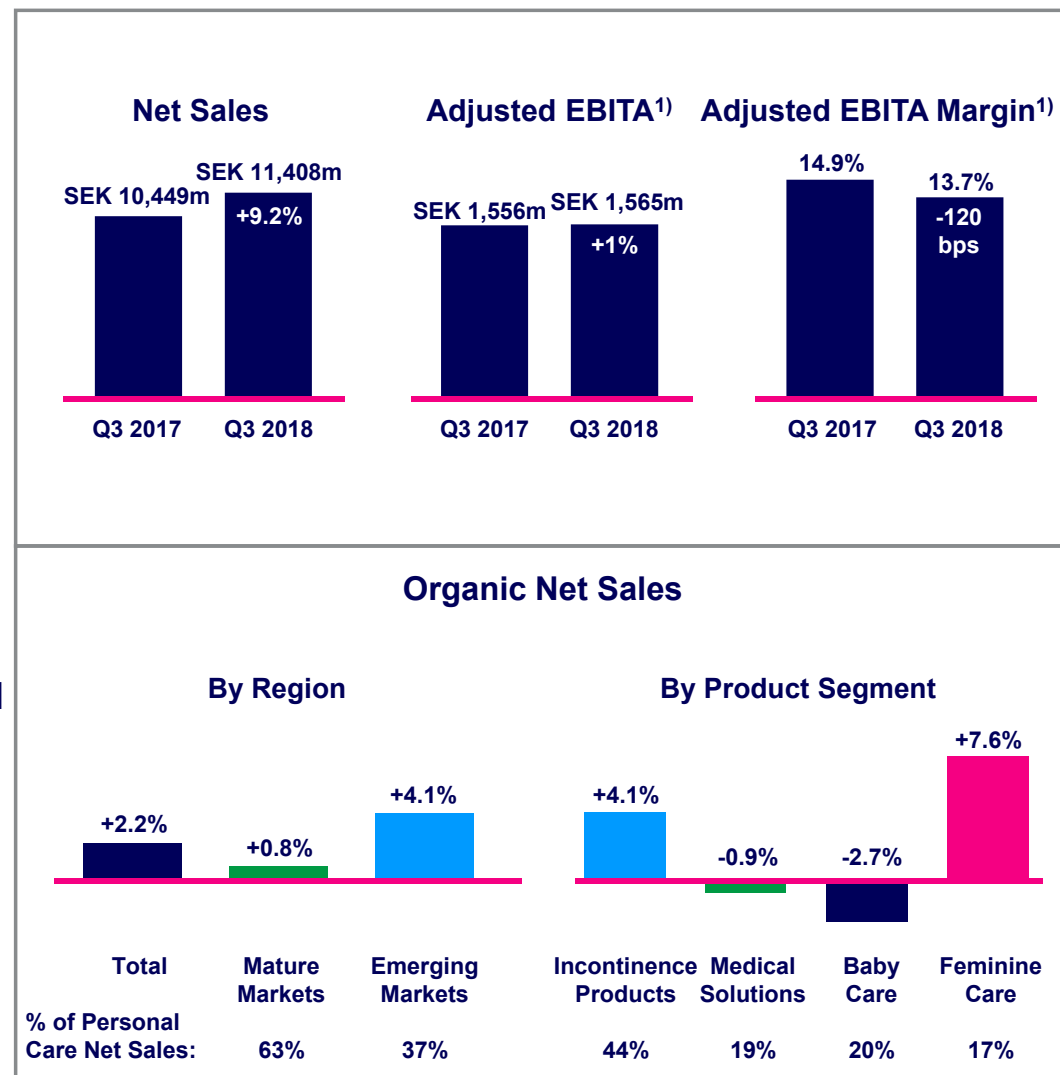
**Expected annual cost savings  
of approx SEK 900m  
with full effect at the end of 2019**



# Personal Care

## Q3 2018 vs Q3 2017

- Organic net sales increased 2.2%
  - Volume +1.2% and price/mix +1.0%
- Adjusted EBITA margin<sup>1)</sup> 13.7%
- Higher prices and better mix
- Significant raw material and energy headwinds with negative impact of -320 bps on adjusted EBITA margin
- Higher distribution costs
- Incontinence Products:** Good growth in health care and retail
- Medical Solutions:** Higher profitability
- Feminine Care:** Strong growth, positively impacted by higher prices and higher volumes in Latin America
- Baby Care:** Difficult market conditions in emerging markets



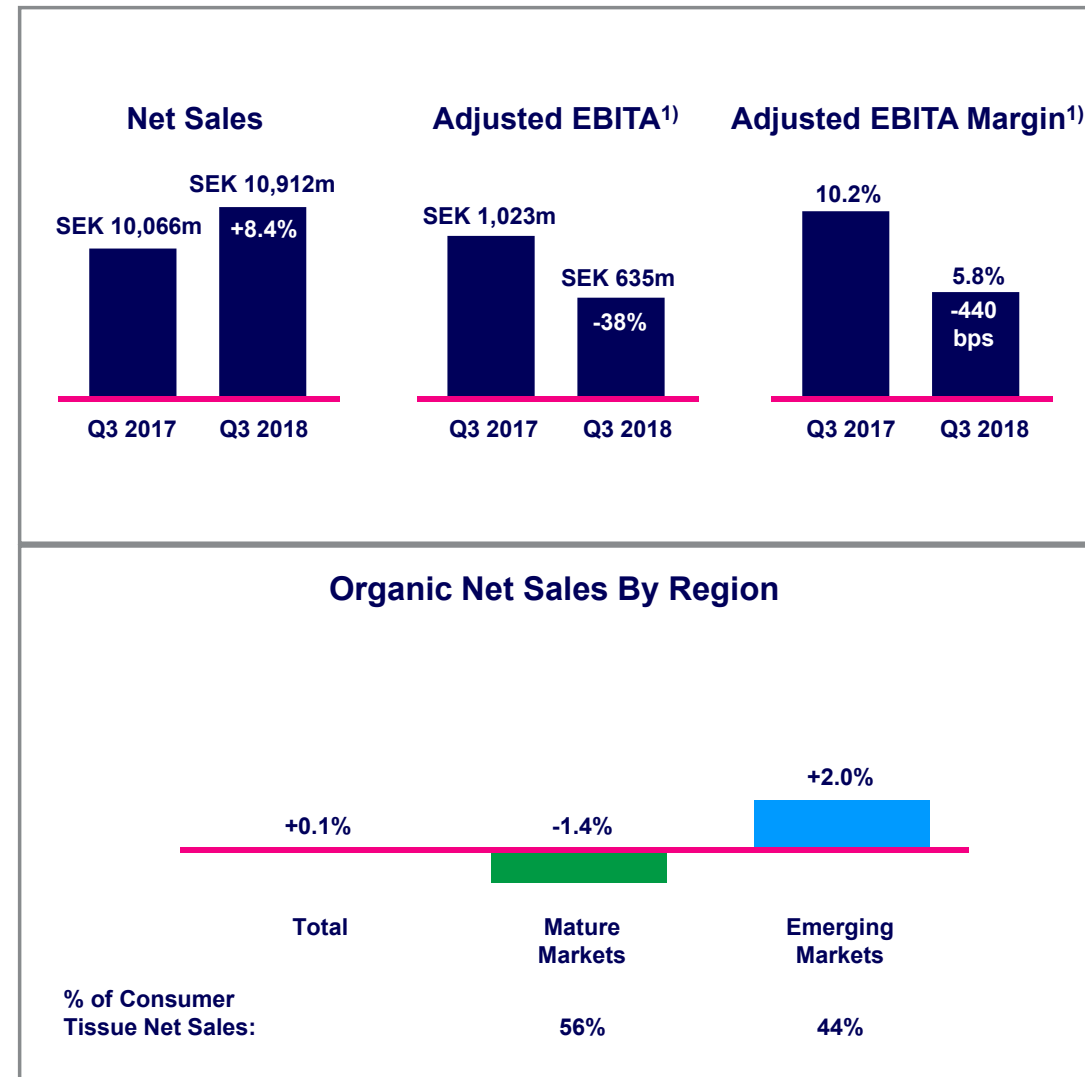
<sup>1)</sup> Excluding items affecting comparability

# Consumer Tissue

## Q3 2018 vs Q3 2017

- Organic net sales increased 0.1%
  - Volume -4.1% and price/mix +4.2%
- Adjusted EBITA margin<sup>1)</sup> 5.8%
- Higher prices in Asia, Europe and Latin America
- Better mix
- Lower volumes mainly due to mother reels and price increases in Asia
- Significant raw material and energy headwinds with negative impact of -830 bps on adjusted EBITA margin
- Higher distribution costs
- Tissue Roadmap restructuring measures

<sup>1)</sup> Excluding items affecting comparability

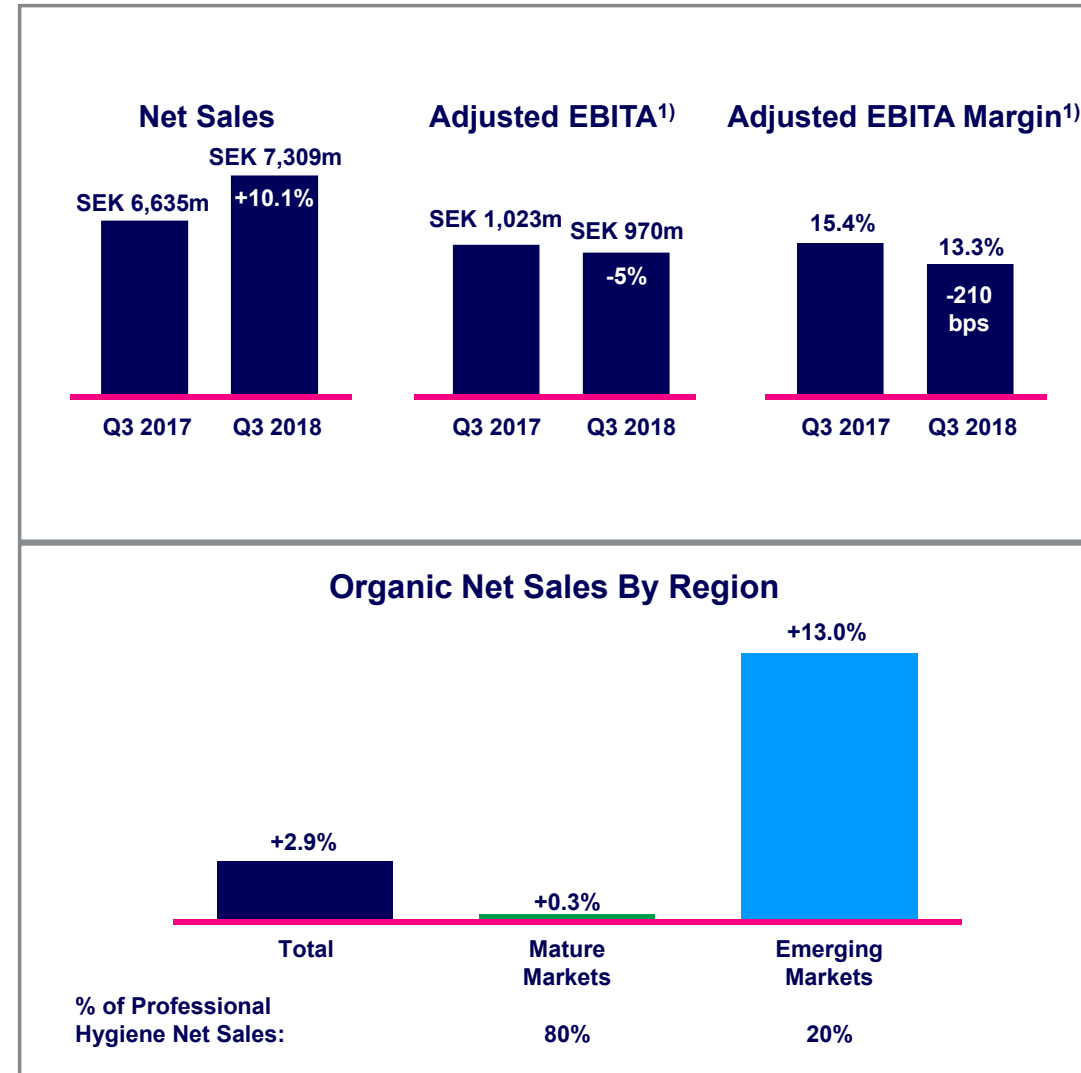


# Professional Hygiene

## Q3 2018 vs Q3 2017

- Organic net sales increased 2.9%
  - Volume +0.3% and price/mix +2.6%
- Adjusted EBITA margin<sup>1)</sup> of 13.3%
- Higher prices in Asia, Europe and North America
- Better mix due to higher sales of strategic products
- Strong organic sales growth in emerging markets with all regions contributing
- Significant raw material and energy headwinds with negative impact of -340 bps on adjusted EBITA margin
- Higher distribution costs
- Tissue Roadmap restructuring measures

<sup>1)</sup> Excluding items affecting comparability



# Summary

- Challenging market conditions
- Profitability-enhancing initiatives
  - Investments in innovation and our strong brands
  - Price increases
  - Intensifying efficiency improvements and restructuring
  - Group-wide cost-savings program launched
  - Enhanced organizational structure





Q&A



