



# MATURE MARKETS RETAIL

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“Our offer is based on detailed and wide-ranging consumer, shopper and innovation expertise that ensures that our customers’ brands leverage the retailers’ overall positioning while delivering a trustworthy alternative to the big multinational and national brands. It is one of the reasons why we are the clear leader in retailer brands in Europe today.”

**MAURICIO TRONCOSO**  
GENERAL MANAGER, MMR

MATURE MARKETS RETAIL DIVISION IS DEDICATED TO SUPPLYING RETAILER BRANDED BABY CARE, ADULT CARE AND FEMININE CARE PRODUCTS IN WESTERN EUROPE AND AUSTRALIA, AND ENJOYS STRONG AND DEEP-GOING RELATIONSHIPS WITH ESTABLISHED INTERNATIONAL AND NATIONAL RETAILERS.

## PERFORMANCE

2018 was a year of full-on challenges for the Mature Markets Retail Division. Our efforts, beyond servicing our customers, focused largely on managing the significant escalation in input costs. We introduced wide-ranging measures to combat the increases, including operational efficiency, pricing and strict internal cost control. As difficult as it was to pass part of the input cost in the form of pricing, it helped to mitigate our overall margins erosion. As expected, we lost some contracts as a result of this pricing increase.

In baby care, the main international branded diaper competitors kept up their aggressive pricing and intensified promotional activities. Our increased capability to manufacture baby pants had a positive impact on product mix, although we did experience some constraints at the start of the year before new production capacity came on

line. Now that capacity is available, it is clear that customers and shoppers prefer our products and are benefiting from them. In addition, we continued to roll out innovations such as our new channel core diapers to leading retailer customers to meet the new market trends.

In adult care our volumes grew at a mid-single-digit rate largely due to the continued success of our heavy incontinence products, primarily pants. In feminine care, in an otherwise declining market, we saw good growth in organic tampons.

The net effect, however, was a slight decline in reported Divisional revenue compared with the previous year, and on a like-for-like basis revenue was down 1.8% despite the hard work, resilience and adaptability of our people in what was, for them, a new set of circumstances.

## MARKET VALUE

BABY CARE  
**68%**



ADULT CARE  
**11%**



FEMININE CARE  
**21%**



## STRATEGY

Our strategy to remain the smart-choice provider is based on developing in-depth partnerships with our retailer customers. Our aim is to provide unique insights to add value in areas such as business planning, category management, shopper behavior as well as innovation to help them drive growth of their categories and own brands. During the year, we added specific e-commerce expertise to our menu of services to support them in developing a multi-channel landscape.

## MARKET OVERVIEW

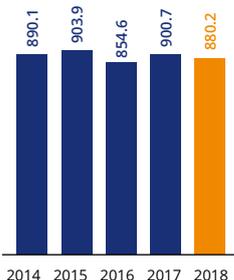
Retailer brands are a growth category in diapers. In baby care, retailer diapers continued to gain market share in 2018 (1.6% in value), and volume-wise the total diaper category accounts for 84.9% of baby care sales in the market<sup>1</sup>. In terms of baby pants, leading brands continued to shift their focus onto this profitable segment, reducing the price difference between pants and diapers and intensifying their promotional activities. While branded goods continue to lead growth in pants, we will continue to focus on further democratizing the trend.

## OUTLOOK

The successful start-up of the new plant in Poland, on time and on budget, and the investment in a number of other new lines at various locations during the year will not only enable us to respond to the market growth trends but also reflect our confidence in the retailer brand segment despite the challenges of 2018.

## REVENUE<sup>2</sup>

**€880.2M**



1. Source: Nielsen (December 2018).

2. Starting 2017, IFRS 15 has been applied.

## KEY MARKETS



## PARTNERING WITH OUR RETAILER CUSTOMERS TO REDUCE DIAPERS' CARBON FOOTPRINT

Sustainability is a main focus for many of our customers. In Europe, we worked closely with one of our retailer customers to reduce the environmental footprint of the diapers we made for them. Together we considered the whole supply chain from raw material to consumer so that we could then address the factors with the greatest impact. The net result was an annual 400 tonne reduction in CO<sub>2</sub>, the equivalent of the average annual emissions of more than 140 cars. How did we achieve it? First, these diapers are made using green electricity. They also use less wood pulp so they are thinner and lighter. Although we reduced the materials, the quality performance and comfort for the baby have improved. And because the diapers are less bulky, they require less transport volume. In fact, the retailer now uses 40 fewer truck loads with the new design. Finally, the reduction in raw materials also led to an annual 300-tonne drop in household waste.

A BABY NEEDS ON AVERAGE FIVE DIAPERS A DAY, FOR A TOTAL OF AROUND 850 DAYS (OR 2.5 YEARS). WE WORKED WITH OUR CUSTOMER TO CALCULATE THE ENVIRONMENTAL FOOTPRINT OF THEIR DIAPERS FROM RAW MATERIAL TO CONSUMER, AND ADDRESSED THE FACTORS WITH THE GREATEST ENVIRONMENTAL IMPACT



MADE WITH  
100% RECYCLED GREEN ELECTRICITY  
THINNER & LIGHTER

SAVING  
**4**  
TONS OF CO<sub>2</sub>